

The Battle of Franklin Trust, Inc.

(A Nonprofit Corporation)

Financial Statements

With Independent Auditors' Report Thereon

For the Years Ended December 31, 2020 and 2019

H A Beasley & Company, PLLC

Certified Public Accountants

Murfreesboro, Tennessee

The Battle of Franklin Trust, Inc.

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**H A Beasley
& Company, PLLC**
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management of
The Battle of Franklin Trust, Inc.

We have audited the accompanying financial statements of The Battle of Franklin Trust, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Battle of Franklin Trust, Inc. as of June 30, 2020, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B to the financial statements, in the year ending June 30, 2020, the entity adopted new accounting guidance related to the accounting for contributions under *FASB ASU No. 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, the valuation of investments, financial liabilities and financial instruments under *FASB ASU No. 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, and the presentation of cash and equivalents and restricted cash and equivalents under *FASB ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* and *FASB ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to these matters.

Other Matter

The financial statements of The Battle of Franklin Trust, Inc. for the year ended June 30, 2019, were audited by another auditor whose report dated January 28, 2020, included an emphasis-of-matter paragraph that described the adoption of *Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as discussed in Note 2 to the financial statements, and expressed an unmodified opinion on those statements.

H A Beasley & Company, PLLC

H A Beasley & Company, PLLC
December 18, 2020

A Positive Difference Through Professional Accounting Service

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THE BATTLE OF FRANKLIN TRUST, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	ASSETS	
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 711,621	\$ 608,379
Grant receivable, current portion, net	107,143	107,143
Inventory	108,361	100,038
Prepaid expenses	5,409	-
Total current assets	932,534	815,560
 LAND, BUILDING, EQUIPMENT AND COLLECTIONS, NET	 3,616,285	 3,601,547
 OTHER ASSETS		
Investments	1,091,667	982,295
Restricted cash and cash equivalents	7,304	-
Beneficial interest in perpetual trust	906,262	937,765
Grant receivable, noncurrent portion, net	102,270	193,772
Wagner Line partnership interest	62,800	62,800
Total other assets	2,170,303	2,176,632
TOTAL ASSETS	\$ 6,719,122	\$ 6,593,739
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Notes payable, current	\$ 74,832	\$ 87,500
Accounts payable	3,689	1,602
Accrued expenses	19,030	10,227
Deposits held for others	4,804	7,342
Deferred revenue	36,616	25,062
Total current liabilities	138,971	131,733
 LONG-TERM LIABILITIES		
Notes payable, net of current portion	111,417	72,500
TOTAL LIABILITIES	250,388	204,233
 NET ASSETS		
Without donor restrictions:		
Board designated	917,310	911,770
Undesignated	3,670,574	3,711,775
Total net assets without donor restrictions	4,587,884	4,623,545
With donor restrictions:		
Subject to time or purpose restrictions	527,351	388,263
In perpetuity	1,353,499	1,377,698
Total net assets with donor restrictions	1,880,850	1,765,961
TOTAL NET ASSETS	6,468,734	6,389,506
 TOTAL LIABILITIES AND NET ASSETS	 \$ 6,719,122	 \$ 6,593,739

See accompanying notes to Financial statements and independent auditors' report.

THE BATTLE OF FRANKLIN TRUST, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue and Support						
Tour admissions	\$ 841,481	\$ -	\$ 841,481	\$ 1,170,913	\$ -	\$ 1,170,913
Contributions	196,077	186,930	383,007	130,971	142,412	273,383
Museum shop, net	90,537	-	90,537	121,968	-	121,968
Grants	122,792	-	122,792	88,005	-	88,005
Ground rental	77,086	-	77,086	79,087	-	79,087
Special events	62,050	-	62,050	76,187	-	76,187
Membership dues	60,045	-	60,045	75,660	-	75,660
Investment income, net	41,374	-	41,374	57,129	-	57,129
Other	22,000	-	22,000	8,710	-	8,710
Loss on beneficial interest in perpetual trust	-	(31,503)	(31,503)	-	(2,337)	(2,337)
Totals	1,513,442	155,427	1,668,869	1,808,630	140,075	1,948,705
Net assets released from donor restrictions:						
Satisfaction of program restrictions	40,538	(40,538)	-	5,427	(5,427)	-
Total revenue and support	1,553,980	114,889	1,668,869	1,814,057	134,648	1,948,705
Expenses						
Program services	1,290,617	-	1,290,617	1,425,386	-	1,425,386
Supporting services						
Management and general	110,748	-	110,748	122,455	-	122,455
Fundraising	188,276	-	188,276	188,652	-	188,652
Total expenses	1,589,641	-	1,589,641	1,736,493	-	1,736,493
CHANGE IN NET ASSETS	(35,661)	114,889	79,228	77,564	134,648	212,212
NET ASSETS AT BEGINNING OF YEAR	4,623,545	1,765,961	6,389,506	4,545,981	1,631,313	6,177,294
NET ASSETS AT END OF YEAR	\$ 4,587,884	\$ 1,880,850	\$ 6,468,734	\$ 4,623,545	\$ 1,765,961	\$ 6,389,506

See accompanying notes to financial statements and independent auditors' report.

THE BATTLE OF FRANKLIN TRUST, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020				2019			
	Supporting Services		Program Services	Totals	Supporting Services		Program Services	Totals
	Management and General	Fund-raising			Management and General	Fund-raising		
Wages	\$ 657,251	\$ 49,139	\$ 116,974	\$ 823,364	\$ 727,428	\$ 45,250	\$ 103,750	\$ 876,428
Garden and grounds maintenance	128,652	-	-	128,652	129,653	-	-	129,653
Advertising and promotions	68,405	-	12,072	80,477	61,917	-	10,926	72,843
Payroll taxes	50,488	3,041	7,299	60,828	54,089	3,258	7,820	65,167
Employee benefits	37,821	2,278	5,468	45,567	53,495	3,223	7,734	64,452
Depreciation	45,337	5,667	5,667	56,671	48,005	6,001	6,000	60,006
Special events	20,307	-	27,083	47,390	24,778	-	33,045	57,823
Office equipment and supplies	25,786	2,727	582	29,095	38,079	4,026	861	42,966
Marketing Consultant	-	38,250	-	38,250	-	42,000	-	42,000
Credit card fees	29,495	-	-	29,495	35,147	-	-	35,147
Utilities	25,466	2,122	707	28,295	27,616	2,301	767	30,684
Newsletter	17,153	-	-	17,153	26,741	-	-	26,741
Housekeeping	18,879	-	-	18,879	26,332	-	-	26,332
Insurance	7,862	493	-	8,355	23,791	1,488	-	25,279
Telephone	20,699	1,243	1,864	23,806	19,986	1,200	1,800	22,986
House maintenance	47,184	-	-	47,184	17,266	-	-	17,266
Legacy dinner	2,314	-	2,314	4,628	8,049	-	8,049	16,098
Exhibits	8,264	-	-	8,264	15,951	-	-	15,951
Tour brochures and rack cards	8,250	-	-	8,250	12,942	-	-	12,942
Miller House maintenance	-	3,080	-	3,080	-	11,220	-	11,220
Education and training	1,950	-	-	1,950	10,712	-	-	10,712
Professional fees	12,231	-	319	12,550	10,020	-	261	10,281
Development and membership	2,957	-	7,465	10,422	2,817	-	7,113	9,930
Interest	4,242	-	-	4,242	8,375	-	-	8,375
Grounds rental expense	6,313	-	-	6,313	7,147	-	-	7,147
Collections management	2,868	-	-	2,868	6,693	-	-	6,693
Security	6,566	-	-	6,566	6,564	-	-	6,564
Miscellaneous	5,109	57	-	5,166	6,464	70	-	6,534
Postage and printing	3,188	970	462	4,620	3,599	1,095	526	5,220
Office maintenance	11,276	-	-	11,276	5,055	-	-	5,055
Dues and subscriptions	1,835	-	-	1,835	2,860	-	-	2,860
Carnton property restorations	-	-	-	-	1,919	-	-	1,919
Hospitality	-	1,681	-	1,681	-	1,323	-	1,323
Taxes and licenses	-	-	-	-	1,010	-	-	1,010
Mileage	2,469	-	-	2,469	886	-	-	886
Land fund expenses	10,000	-	-	10,000	-	-	-	-
Total functional expenses	\$ 1,290,617	\$ 110,748	\$ 188,276	\$ 1,589,641	\$ 1,425,386	\$ 122,455	\$ 188,652	\$ 1,736,493

See accompanying notes to financial statements and independent auditors' report.

THE BATTLE OF FRANKLIN TRUST, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 79,228	\$ 212,212
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	56,671	60,006
Net realized and unrealized (gain) loss on investments	(16,816)	(35,253)
Loss (gain) on beneficial interest in perpetual trust	31,503	2,337
Withdrawals from investments	40,965	-
Non-cash donation of investments	(8,811)	-
Non-cash donation of land	(7,900)	-
Loss (gain) on disposal of equipment	658	-
(Increase) decrease in operating assets:		
Grant receivable, net	91,502	107,143
Inventory	(8,323)	18,513
Prepaid expenses and other	(5,409)	-
Increase (decrease) in operating liabilities:		
Accounts payable	2,087	(5,133)
Accrued expenses	8,803	-
Deposits held for others	(2,538)	(2,930)
Deferred revenue	11,554	-
Net cash provided by operating activities	273,174	356,895
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,303,445)	(21,877)
Proceeds from sale of investments	2,178,735	32,366
Purchase of land, building, equipment and collections	(64,167)	(107,577)
Net cash used for investing activities	(188,877)	(97,088)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	131,700	-
Principal payments on note payable	(105,451)	(101,716)
Net cash provided by (used in) financing activities	26,249	(101,716)
Net increase in cash, cash equivalents, and restricted cash	110,546	158,091
Beginning cash and equivalents and restricted cash	608,379	450,288
Ending cash and equivalents and restricted cash	\$ 718,925	\$ 608,379

See accompanying notes to financial statements and independent auditors' report.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Battle of Franklin Trust, Inc. (the “Trust”) is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is located in Franklin, Tennessee. Its purpose is to preserve, restore, maintain, and interpret properties, artifacts, documents and other objects related to the Battle of Franklin so as to preserve an important part of the regional past, and so that visitors will be able to see and experience a living reminder of their national history. The Trust manages two historic sites in Franklin, Tennessee that witnessed the 1864 Battle of Franklin: Carter House and Carnton. Guided tours are provided daily at each location.

Basis of Accounting

The financial statements of the Trust have been prepared on the accrual basis.

Basis of Presentation

The Trust presents its financial statements in accordance with Financial Accounting Standards Board (“FASB”) *Accounting Standards Codification (“ASC”) 958, Financial Statements for Not-for-Profit Entities*. Accordingly, the Trust reports information regarding its financial position and activities according to the two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are restricted for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions include net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Trust. These net assets may be used at the discretion of the Trust’s management and the Board of Directors. The Trust has chosen to provide further classification information about net assets without donor restrictions in the statements of financial position as either undesignated or board designated.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Trust or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as “net assets released from donor restrictions”. Net assets with donor restrictions whose restrictions are met in the period the contributions are received are reported as net assets without donor restrictions.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and other support and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Cash and Equivalents

The Trust considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and equivalents as of June 30, 2020 and 2019, that were permanently restricted by donors for endowment purposes was \$7,304 and \$-0-, respectively. Since these funds are not available for current operations, they are presented as a long-term asset.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Trust has adopted the provisions of the Fair Value Measurement Topic of the FASB ASC. This guidance establishes a framework for measuring fair value for financial assets and financial liabilities. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The applicable levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Trust has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Trust uses appropriate valuation techniques based on available inputs to measure the fair value of its investments. When available, the Trust measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 or Level 2 inputs were not available.

Unrealized gains and losses, as well as appreciation or depreciation in market value, are included in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Inventory

Inventory consists of gift shop items. Inventory is stated at the lower of cost (first in, first out basis) or net realizable value.

Beneficial Interest in Perpetual Trust

The Trust is a beneficiary of an established and funded trust which is administered by a different organization. Under the terms of the perpetual trust, the Trust has the irrevocable right to receive a portion of the income earned on the trust assets in perpetuity. Additionally, if the trust ceases operations, the Trust will receive a portion of the assets of the trust.

Property, Equipment and Collections

Property, equipment and collections are recorded at cost or, for donated items, at the estimated fair value as of the date received. Expenditures for major additions and improvements that materially extend the life of the asset are capitalized and minor replacements, maintenance and repairs are charged to expense when incurred.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Equipment and Collections (continued)

When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of activities for the respective period. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, which ranges from 5 years for software and computers to 27.5 years for buildings.

Contributions of long-lived assets or contributions restricted for acquisition of long-lived assets are reported as increases in net assets with donor restrictions. When restrictions are considered met, an appropriate amount is reclassified to net assets without donor restrictions. The useful lives of the long-lived assets are calculated based on the Trust's depreciation policy.

Contributions

ASU No. 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made requires three classifications of contributions received in the current year: conditional, unconditional with donor restrictions, or unconditional without donor restrictions. Conditional contributions, including conditional promises to give, are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Unconditional contributions, including unconditional promises to give are recognized as revenue in the period incurred.

Contributions of assets and specialized services are recorded at their fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Donated Property

The Trust was gifted an ownership interest in a partnership that owns land known as the Wagner Line property in Franklin Tennessee. The ownership interest is valued at \$62,800, respectively, as of both June 30, 2020 and 2019. During the year ended June 30, 2020, the Trust received donated land with an estimated fair value of \$7,900 at the date of the gift. The land is included in property, equipment and collections on the statements of financial position.

Membership Dues

Membership dues generally cover a period of one year and renew annually. Revenue is recognized when payment is received.

Revenue Recognition of Tour Admissions

The Trust offers educational tours to visitors. The Trust recognizes revenue for tour admissions upon the date of service.

Deferred Revenue

The Trust each year rents out their grounds for weddings and other functions. When the Trust's grounds are reserved for a function, they receive a deposit which is not recognized as revenue until the function has occurred. As of June 30, 2020 and 2019 the Trust has received \$36,616 and \$25,062 respectively, for grounds rentals in the subsequent period.

Advertising Costs

The Trust expenses the cost of non-direct responsive advertising as incurred. For the years ended June 30, 2020 and 2019, advertising costs totaled \$118,727 and \$114,843, respectively.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Accordingly, certain costs have been allocated among the program services, management and general, and fundraising based on estimates by management. All expenses are allocated based on time and effort.

Income Taxes

The Trust is a not-for-profit organization that is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) whereby only unrelated business income, as defined in Section 512(a)(1) of the Code, is subject to federal income tax. With few exceptions, the Trust is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2017, and to state tax authorities for years before 2015.

The Trust has evaluated its tax positions for all open tax years. Based on the evaluation of the Trust's tax positions, management believes all tax positions taken would be upheld under an examination; therefore, no provision for the effects of uncertain positions has been recorded for the years ended June 30, 2020 and 2019.

NOTE B –NEW AUTHORITATIVE ACCOUNTING GUIDANCE

Implemented Pronouncements

ASU 2018-08

During the year ended June 30, 2020, management adopted the amendments in the *ASU No. 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which assists the Trust in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as an exchange transaction subject to other guidelines. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. It also provides guidance on determining whether a contribution is considered conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The Trust has applied the new standard on a modified prospective basis. There was no cumulative effect on the financial statements from the implementation of this new standard.

ASU 2016-18

During the year ended June 30, 2020, the Trust implemented *ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash* which requires the Trust to report the nature of restrictions on its cash, cash equivalents and restricted cash amounts and also explain changes during the period in total cash, cash equivalents and amounts generally described as restricted cash on the statement of cash flows. The Trust did apply this new standard retrospectively. The Trust did have \$7,304 and \$-0- that were considered restricted cash as of June 30, 2020 and 2019, respectively. These amounts have been reclassified on the Trust's statement of financial position. Other than this reclassification, there was no material impact on the Trust's change in net assets and cash flows upon adoption of the new standard.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

NOTE B –NEW AUTHORITATIVE ACCOUNTING GUIDANCE (CONTINUED)

ASU 2016-15

During the year ended June 30, 2020, the Trust implemented *FASB ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* addressing the presentation of certain cash receipts and payments. The Trust did apply this new standard retrospectively, but there was no material impact on the Trust's results of operations, financial condition, or cash flows upon adoption of the new standard as they did not have any of the specified transactions addressed by this new standard.

ASU 2016-01

During the year ended June 30, 2020, the Trust adopted *FASB ASU No. 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which relates to the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The Trust has applied this standard prospectively to all equity investments without readily determinable fair values as of the date of adoption as allowed by the standard. There was neither a significant effect to any line item on the financial statements nor a cumulative effect to net assets resulting from the adoption of this standard as their investments had a readily determinable fair value.

Future Pronouncements

ASU 2014-09

In May 2014, FASB issued *ASU No. 2014-09, Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"), which clarifies the principles for recognizing revenue and develops a common revenue standard under accounting standards generally accepted in the United States under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June 2020, The FASB issued ASU No. 2020-05 which defers the effective date for the implementation of ASU 2014-09 until annual reporting periods beginning after December 15, 2019, thus it will not be effective for the Trust until the fiscal year ending June 30, 2021. The Trust is currently evaluating the effect of the implementation of this new standard.

ASU 2016-02

In February 2016, the FASB issues *ASU No. 2016-02, Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in ASC 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. A modified retrospective transition approach is required for leases for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with practical expedients available. ASU No. 2020-05 also deferred the effective date for the implementation of this standard until annual reporting periods beginning after December 15, 2021, thus it will not be effective for the Trust until the fiscal year ending June 30, 2023. The Trust is currently in the process of evaluating the impact of the adoption of this ASU on the financial statements.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

NOTE C – CASH AND EQUIVALENTS AND RESTRICTED CASH AND EQUIVALENTS

The following table provides a reconciliation of cash and equivalents and restricted cash and equivalents within the statement of financial position that reconciles to the total of the same amounts shown in the statement of cash flows as of June 30, 2020 and 2019:

	2020	2019
Cash and equivalents	\$ 711,621	\$ 608,379
Restricted cash and equivalents	<u>7,304</u>	<u>-</u>
Total cash and equivalents and restricted cash and equivalents shown in statements of cash flows	<u>\$ 718,925</u>	<u>\$ 608,379</u>

NOTE D – INVESTMENTS

The fair value of Level 1 assets was determined by obtaining quoted market prices in active markets.

The Trust's beneficial interest in a perpetual trust is valued using information obtained from third-party sources, including detail listings of holdings from the trusts. These valuations are based upon the Trust's percent interest in the market value of the holdings.

The methods described above and in Note A to the financial statements may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The overall investment objective of the Trust is to maintain a balanced portfolio, through a mix of equities, fixed income securities and money market balances.

As of June 30, 2020 and 2019, the investments included net assets designated by the board for endowment totaling \$910,099 and \$809,966, respectively.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

NOTE D – INVESTMENTS (CONTINUED)

Investments stated at fair value and are summarized by level within the fair value hierarchy are as follows as of June 30, 2020 and 2019:

Fair Value Measurements at June 30, 2020				
	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Totals
Investments:				
Mutual funds	\$ 309,170	\$ -	\$ -	\$ 309,170
Exchange traded funds	302,248	-	-	302,248
Fixed income funds	270,253	-	-	270,253
Cash equivalents	<u>209,996</u>	<u>-</u>	<u>-</u>	<u>209,996</u>
Total investments at fair value	<u>\$ 1,091,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,091,667</u>
Beneficial interest in perpetual trust	<u>\$ -</u>	<u>\$ 906,262</u>	<u>\$ -</u>	<u>\$ 906,262</u>

Fair Value Measurements at June 30, 2019				
	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Totals
Investments:				
Mutual funds	\$ 386,454	\$ -	\$ -	\$ 386,454
Corporate stocks	247,024	-	-	247,024
Exchange traded funds	146,316	-	-	146,316
Cash equivalents	<u>202,501</u>	<u>-</u>	<u>-</u>	<u>202,501</u>
Total investments at fair value	<u>\$ 982,295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 982,295</u>
Beneficial interest in perpetual trust	<u>\$ -</u>	<u>\$ 937,765</u>	<u>\$ -</u>	<u>\$ 937,765</u>

For donated investments, cost is determined to be the fair value at the date of gift. During the years ended June 30, 2020 and 2019, the Trust received \$8,811 and \$-0- respectively, in donated investments.

As of June 30, 2020 and 2019, the unrealized gain on investments totaled \$11,642 and \$51,327, respectively. During the years ended June 30, 2020 and 2019, the change in the unrealized gain on investments totaled \$16,816 and \$35,253, respectively, and interest and dividends earned from these investments totaled \$34,392 and \$28,463, respectively. For the years ended June 30, 2020 and 2019, both are included in investment income net of expenses of \$9,834 and \$6,587, respectively. Investment income net of expenses for the years ended June 30, 2020 and 2019 totaled \$41,374 and \$57,129, respectively.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

NOTE E – ENDOWMENTS

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Trust has funds that are donor restricted as well as board designated.

The Trust has an endowment fund called the “Carnton Endowment”. It is maintained in an investment account with a bank. The endowment is made up of funds designated by the Board of Directors to function as an endowment. Per the decision of the board of directors, this endowment will not have any further donations made to it. Any distributions are to be used for maintenance of the Carnton house.

The Trust also has an endowment fund called the “Battle of Franklin Trust Endowment” (the Endowment). These funds are to supplement operational and special project expenses in the future. This endowment includes both donor restricted contributions as well as board designated amounts. The board of directors has determined that 10% of all membership income be designated for endowment purposes and invested in this endowment fund. The board does accumulate both donor restricted and board designated amounts in a cash account before they are transferred to the investment account.

The investment policy of the Trust requires the funds be professionally managed by a fund manager that is approved by the board of directors. It states that the responsibility for the management of the endowment fund lies with the board of directors, but they can delegate the investment functions and administration to the Budget and Finance Committee, including the power to contract with investment advisors. It also allows the board to authorize the Treasurer to administer the investment and care of the endowment funds in accordance with the investment policy. All who are involved in the management of the endowment funds are to exercise the judgment and care under the circumstances prevailing which persons of prudence, discretion, and intelligence would exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety and preservation of their capital.

Return objectives and risk parameters of the agency endowment

The Trust operates with investment and spending policies for endowment assets that attempt to provide a steady stream of funding to programs supported by its endowment at the time when the monies may be required for operational needs, while maintaining its long-term value. Management and investment decisions about an individual asset in the fund must be made not in isolation, but rather in the context of the endowment fund’s portfolio of investments as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the fund and to the Trust. The Trust invests the assets in a manner that is intended to produce income while incurring a moderate level of investment risk.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Trust relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The investment policy requires investment managers to invest no more than 10% of the total funds with any one issue of security. Since exchange traded funds and mutual funds are typically comprised of more than one issue of security, their underlying holdings should be taken into account in considering this constraint. The policy also states that a balance between fixed income investments and equities should be used to help achieve their investment objectives.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

NOTE E – ENDOWMENTS (CONTINUED)

Spending practice and how the investment objectives relate to spending practice

The Trust's endowment policy sets a draw from endowment funds appropriate for distribution in subsequent fiscal years as needed by the Trust to meet its needs in order to prudently preserve capital in a difficult economic environment. The Trust may annually request a distribution from the endowment for use in the Trust's operations in an amount between 0% and 4% of the endowment balance. Any distributions from the fund are to be approved by the board as part of the annual budget. It can be taken in the form of income or principal. During the years ended June 30, 2020 and 2019, the Trust did not receive any distributions from the endowment.

In establishing this policy, the Trust considered the long-term expected return on its endowment. Accordingly, over the long term, the Trust expects the current spending policy to allow its endowment to grow annually. This is consistent with the Trust's objective to maintain the purchasing power of the endowment assets held in perpetuity or for specified terms as well as to provide additional real growth through investment return.

As of June 30, 2020 and 2019 the amounts that are board designated or donor restricted for endowment consist of the following:

	2020	2019
Cash and equivalents	\$ 7,211	\$ 101,803
Restricted cash and equivalents	7,304	-
Investments:		
Carnton Endowment	807,234	809,966
Battle of Franklin Trust Endowment	102,865	-
	<u>\$ 924,614</u>	<u>\$ 911,769</u>

The activity in the accounts that are either board designated or donor restricted for endowment purposes for the years ended June 30, 2020 and 2019 are as follows:

	2020		2019	
	Board Designated	Donor Designated	Board Designated	Donor Designated
Balance, beginning of year	\$ 911,769	\$ -	\$ 856,511	\$ -
Contributions	5,260	7,304	39,999	-
Distributions	(32,000)	-	(32,366)	-
Investment income	30,738	-	24,913	-
Interest income	198	-	518	-
Investment fees	(9,884)	-	(6,585)	-
Realized and unrealized gains (losses)	11,229	-	28,779	-
Balance, end of year	<u>\$ 917,310</u>	<u>\$ 7,304</u>	<u>\$ 911,769</u>	<u>\$ -</u>

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

NOTE F – GRANT RECEIVABLE, NET

Grant receivable, net consists of an amount due from the city of Franklin, Tennessee. The proceeds are to be used to pay principal and interest on a note payable related to the purchase and preservation of historic land from the Battle of Franklin. See Note L related to the note payable. Any funds remaining at the end of the term are to be divided equally between the Trust and another nonprofit entity as described in the loan agreement.

A schedule of the future grant payments are as follows for the years ending:

	<u>June 30,</u>	
	2021	\$ 107,143
	2022	<u>107,100</u>
	Totals	214,243
Less: unamortized discount on grant receivable		<u>(4,830)</u>
Grant receivable, net		<u>\$ 209,413</u>

The grant receivable has been discounted using a 1.52% rate representing the time value of amounts to be received in future years based on assets with similar risks.

NOTE G – PROPERTY AND EQUIPMENT, NET

Property, equipment and collections, net is composed of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 631,989	\$ 624,089
Building and improvements	2,427,538	2,434,705
Historical improvements	205,450	205,450
Collections	717,785	714,828
Furniture and equipment	49,031	55,812
Construction in progress	<u>145,791</u>	<u>84,571</u>
Totals	4,177,584	4,119,455
Less: Accumulated depreciation and amortization	<u>(561,299)</u>	<u>(517,908)</u>
Total property and equipment, net	<u>\$ 3,616,285</u>	<u>\$ 3,601,547</u>

For the years ended June 30, 2020 and 2019, depreciation and amortization totaled \$56,671 and \$60,006, respectively.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

NOTE H – ACCRUED EXPENSES

Accrued expenses are composed of the following as of June 30, 2020 and 2019:

	2020	2019
Accrued payroll	\$ 5,226	\$ -
Payroll related liabilities	7,083	7,053
Sales tax payable	1,221	2,174
Security deposits returnable	5,500	1,000
Total accrued expenses	<u>\$ 19,030</u>	<u>\$ 10,227</u>

NOTE I – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Trust regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Trust considers all expenditures related to its ongoing activities of preserving, restoring, maintaining, and interpreting properties, artifacts, documents, and other objects and materials related to the Battle of Franklin, as well as the conduct of services undertaken to support those activities to be general expenditures. As a part of the Trust's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2020:

Financial assets as of year-end:	
Cash and equivalents	\$ 711,621
Grants receivable, net	107,143
Investments	1,091,667
Prepaid expenses	5,409
Restricted cash and equivalents	<u>7,304</u>
Total financial assets as of year-end	1,923,144
Less amounts unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Subject to appropriation and satisfaction of donor or time restrictions:	527,351
Miller House funds	150,000
Donor restricted amounts for endowment purposes	<u>7,304</u>
	684,655
Board designations:	
Endowment funds	<u>917,310</u>
Total unavailable for general expenditures within one year	<u>1,601,965</u>
Total financial assets available for general expenditures within one year	<u>\$ 321,179</u>

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

NOTE J – BOARD DESIGNATIONS OF NET ASSETS WITHOUT RESTRICTIONS

The Trust's Board of Directors has designated, from net assets without donor restrictions of \$917,310 and \$911,769, respectively, for investment purposes to support future operations of the Trust. The designations are voluntary, board-approved segregations of net assets without donor restrictions.

NOTE K – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include donations for operating specific programs, construction projects and restoration of the facilities. As of June 30, 2020 and 2019, support received totaled \$186,930 and \$142,412, respectively.

The net assets with donor restrictions as of June 30, 2020 and 2019 are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Net assets subject to time or purposes restrictions:		
City of Franklin grant - for repayment of note payable	\$ 54,549	\$ 140,915
Carter House and Carnton House properties restorations	11,134	10,030
Carter Hill Park	45,321	38,706
Funds for purchasing battlefield land	24,966	33,292
Donations for porch restoration	468	30,988
Museum/Visitor's Center Construction	156,824	112,004
Miller House investment earnings	31,569	22,328
Construction of USCT Statue	<u>102,205</u>	<u>-</u>
Total subject to purpose restrictions	427,036	388,263
Subject to passage of time restrictions:		
City of Franklin grant - time restriction	<u>100,315</u>	<u>-</u>
Total subject to time restrictions	<u>100,315</u>	<u>-</u>
Total net assets held subject to time or purpose restrictions	<u>\$ 527,351</u>	<u>\$ 388,263</u>
Net assets held in perpetuity for the following purposes:		
Beneficial interest in perpetual trust	\$ 906,262	\$ 937,765
Miller House property	289,933	289,933
Miller House funds	150,000	150,000
Restricted BOFT Endowment	<u>7,304</u>	<u>-</u>
Total net assets held in perpetuity	<u>\$ 1,353,499</u>	<u>\$ 1,377,698</u>

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

NOTE K – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specifically made by donors. The purpose of restrictions was accomplished by incurring costs for the following programs for the years ended June 30, 2020 and 2019:

	2020	2019
City of Franklin grant - time restriction	\$ 1,692	\$ 5,427
Land funds	8,326	-
Porch donations	30,520	-
Total net assets released from restrictions	<u>\$ 40,538</u>	<u>\$ 5,427</u>

Net assets that are permanently restricted by the donors for endowment purposes were \$7,304 and \$-0- as of June 30, 2020 and 2019, respectively. Income permanently restricted by donors for endowment purposes totaled \$7,304 and \$-0- for the years ended June 30, 2020 and 2019, respectively.

NOTE L – NOTES PAYABLE

A summary of the notes payable at June 30, 2020 and 2019 is as follows:

	2020	2019
Note payable to a bank bearing interest at a rate of 3.5%, requiring annual principal payments plus monthly interest payments through February 10, 2023; collateralized by certain depository account maintained with the lender.	\$ 54,549	\$ 160,000
Economic injury disaster loan received through the Small Business Administration; will reduce the amount of the PPP loan that can be forgiven.	10,000	-
Note payable to a bank bearing interest at a rate of 1%; requiring monthly principal payments of \$6,761 plus interest beginning in April 2021. The total principal balance is due September 2022. Note is through the Paycheck Protection Program (PPP) and the Trust anticipates this loan will be forgiven when they file the application for forgiveness.	<u>121,700</u>	<u>-</u>
Total	186,249	160,000
Less: Current maturities of notes payable	<u>(74,832)</u>	<u>(87,500)</u>
	<u>\$ 111,417</u>	<u>\$ 72,500</u>

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

NOTE L – NOTES PAYABLE (CONTINUED)

The note payable with a bank bearing interest at 3.5% as listed above was issued to purchase historic tracts of land that will ultimately be transferred to the city of Franklin, Tennessee. The historic land is not recorded as an asset in these financial statements. Additionally, the proceeds used to pay the principal and interest of this note are to be funded by the grant receivable discussed in Note F. The collateral pledged for this note is the cash account where the payments from the City of Franklin are deposited. These funds are pledged as collateral for a loan of the other non-profit that is responsible for a separate portion of this loan.

On April 17, 2020, the Trust was granted a loan from Tower Community Bank in the amount of \$121,700 pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), which was enacted March 27, 2020. The PPP provides loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business.

Under the current terms of the PPP, the loan can be forgiven if the funds are used for qualifying expenses as described in the CARES Act, which include payroll costs, interest on mortgages, rent, and utilities, over the chosen covered period, which can either be an eight or twenty-four week period. A contingency to the loan forgiveness, however, is that the Trust must maintain the salary levels that were listed on their PPP loan application. Forgiveness is to be reduced if full-time headcount declines or if salaries and wages decrease. The Trust has used the entire loan amount for qualifying payroll expenses totaling \$121,700. The Trust also received the Economic Injury and Disaster Loan (EIDL) from the Small Business Administration for \$10,000. The amount of their PPP loan that will be forgiven will be reduced by this \$10,000 that they received under the EIDL program. Any unforgiven portion of the PPP loan is due and payable two years from the date of the note. While the Trust currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, no assurance can be provided that the loan will or will not be forgivable, until the SBA processes the loan forgiveness application.

Future maturities of notes payable are as follows as of June 30:

	<u>June 30,</u>	
2021	\$	74,832
2022		81,133
2023		<u>30,284</u>
Totals		186,249
Less current maturities		<u>(74,832)</u>
Notes payable less current maturities	\$	<u><u>111,417</u></u>

NOTE M – LINE OF CREDIT

In December 2018, the Trust entered into a line of credit agreement with a financial institution at which an officer of the board is employed. The line of credit bears interest at the prime rate less 1% and allows for borrowings up to \$300,000. The interest rate as of June 30, 2020 and 2019 was 3.25% and 4.25%, respectively. The outstanding balance on the line of credit as of both June 30, 2020 and 2019 was \$-0-.

NOTE N – LEASES

During January 2018, the Trust entered into an agreement to lease a building on Columbia Avenue to Williamson County CASA, Inc.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

NOTE N – LEASES (CONTINUED)

The Trust received rental income of \$25,000 for both of the years ended June 30, 2020 and 2019. Future minimum rentals are \$14,583 for the year ending June 30, 2021. The rentals are included in ground rentals in the accompanying statements of activities. The Trust also rents its property on a short-term basis for weddings, events, etc.

NOTE O - CONCENTRATION OF RISK

At times throughout the year, the Trust may maintain cash balances in certain accounts in excess of the Federal Deposit Insurance Corporation ("FDIC") limit of \$250,000 for substantially all depository accounts. As of June 30, 2020 and 2019, the Trust had funds in excess of the FDIC limits of \$227,813 and \$153,972, respectively.

NOTE P – CASH FLOW INFORMATION

During the years ended June 30, 2020 and 2019, net cash provided by operating activities included cash payments of interest totaling \$4,242 and \$8,375, respectively. There were no cash payments for income taxes during both years ended June 30, 2020 and 2019.

During the years ended June 30, 2020 and 2019, non-cash investing activities excluded from the statements of cash flows include in-kind donations of property and equipment totaling \$7,900 and \$-0-, respectively, and investments of \$8,811 and \$-0-, respectively. Amounts included in restricted cash represent amounts restricted by donors for endowment purposes.

NOTE Q - SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 18, 2020, which is the date the financial statements were available to be issued.

Management is continuing to evaluate the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a continued negative effect on the Trust's financial position, and results of its operations and cash flows, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

There have been no other adjustments to the financial statements to include any subsequent transactions or events.