

BATTLE OF FRANKLIN TRUST, INC.

JUNE 30, 2010

**Report
of
Examination**

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INDEPENDENT AUDITOR'S REPORT

December 8, 2010

Board of Directors
Battle of Franklin Trust, Inc.
Franklin, Tennessee

We have audited the accompanying statements of financial position of Battle of Franklin Trust, Inc. (a nonprofit corporation) as of June 30, 2010 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Battle of Franklin Trust, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Parsons and Associates

Parsons and Associates

The Battle of Franklin Trust, Inc.
Statement of Financial Position
June 30, 2010

ASSETS

Current Assets

Cash on hand and in banks	\$ 505,810
Receivable	25,245
Inventory	72,354
Prepaid insurance	9,882
Other assets	300
<u>Total Current Assets</u>	<u>613,591</u>

Property and Equipment

Furniture and fixtures	10,517
Office and computer equipment	7,928
	18,445
Less accumulated depreciation	(632)
<u>Net Property and Equipment</u>	<u>17,813</u>

<u>Total Assets</u>	<u>\$ 631,404</u>
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LIABILITIES

Current Liabilities

Accounts payable	\$ 37,542
Payroll taxes payable	12,401
Sales tax payable	2,330
<u>Total Current Liabilities</u>	<u>52,273</u>

NET ASSETS

Net Assets

Unrestricted	<u>579,131</u>
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<u>Total Liabilities and Net Assets</u>	<u>\$ 631,404</u>
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See notes to financial statements.

The Battle of Franklin Trust, Inc.
Statement of Activities
Year Ended June 30, 2010

<u>Revenues and Other Support</u>	
Tour admissions	\$ 356,967
Special events	33,606
Contributions	77,836
Contributions - members	718,767
Membership dues	86,047
Ground rental	69,625
Investment income (net)	2,760
Museum shop (net)	84,959
Grants	41,895
Other	1,143
<u>Total Revenues and Other Support</u>	<u>1,473,605</u>
<u>Expenses</u>	
Program services	678,355
Management and general	92,379
Fundraising	123,741
<u>Total Expenses</u>	<u>894,475</u>
<u>Change in Net Assets</u>	<u>579,130</u>
Net Assets - beginning	0
Net Assets - June 30, 2010	<u>\$ 579,131</u>

See notes to financial statements.

Battle of Franklin Trust, Inc.
Statement of Cash Flows
Year Ended June 30, 2010

Cash flows from operating activities	
Increase (decrease) in net assets	\$ 579,131
Adjustments to reconcile increase in net assets to net cash provided by operating activities: depreciation	632
Decrease (increase) in receivables	(25,245)
Decrease (increase) in prepaid expenses	(9,882)
Decrease (increase) in inventory	(72,354)
Decrease (increase) in other assets	(300)
Increase (decrease) in account payable	37,542
Increase (decrease) in payroll taxes payable	12,401
Increase (decrease) in sales tax payable	<u>2,330</u>
Net cash provided by operating activities	<u>524,255</u>
 Cash flows from investing activities	
Acquisition of fixed assets	<u>(18,445)</u>
Net cash provided (used) by investing activities	
 Increase (decrease) in cash	505,810
 Cash - beginning	0
 Cash - June 30, 2010	<u>\$ 505,810</u>

See notes to financial statements.

Battle of Franklin Trust, Inc.
Notes to Financial Statement
Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Battle of Franklin Trust, Inc. was incorporated in 2009, in accordance with the Tennessee General Corporation Act. Its purpose is to preserve, restore, maintain, and interpret properties, artifacts, documents and other objects and material 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.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements for Not-for-Profit Organizations. Under SFAS No. 117, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Net assets subject to imposed stipulations that they be maintained permanently by the Organization. Generally, these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. As of June 30, 2010, the Organization did not have any permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of one year or less to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market.

Battle of Franklin Trust, Inc.
Notes to Financial Statement
Year Ended June 30, 2010

Income Tax Status

Battle of Franklin Trust, Inc. qualifies as a tax exempt organization under Internal Revenue Code Section 501(c)(3) and, therefore, has no provision for federal income taxes. In addition, the Organization has been classified as an organization other than a private foundation under Section 509(a)(2).

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation.

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provide services throughout the year that are not recognized as contributions in the financial statements since the criteria for SFAS No. 116 are not met.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Schedule of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximately fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

Battle of Franklin Trust, Inc.
Notes to Financial Statement
Year Ended June 30, 2010

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, when purchased, or, if received as in-kind contributions, at fair market value at the date of the donation. Depreciation of assets is calculated on the straight-line method over the estimated useful lives of the assets. Estimated useful lives for buildings and improvements range from 10 to 40 years and for the remaining equipment a range of 5 to 12 years.

A summary of assets at June 30, 2010 is as follows:

Depreciable assets	
Furniture and fixtures	\$ 10,517
Office and computer equipment	<u>7,928</u>
	18,445
Less accumulated depreciation	(<u>632</u>)
	<u>17,813</u>

NOTE 7 - CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains its cash balances in several financial institutions located in the Middle Tennessee area. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at June 30, 2010. At June 30, 2010 the Organization's uninsured cash balances totaled \$ 21,125.

NOTE 8 - CONTRIBUTIONS FROM OTHER ORGANIZATION

The Organization was provided initial funding for its operations from two separate local non profit organizations. The two organizations are The Carter House Association, Inc. and The Historic Carnton Plantation Association, Inc. An agreement has been reached in the event either organization desires to terminate this relationship with written notice. In the event of termination, the agreed upon allocation of assets will be Historic Carnton Plantation Association 71.59% and The Carter House Association, Inc. 28.41%.

The Battle of Franklin Trust, Inc.
Schedule of Functional Expenses
June 30, 2010

	Program services	Management	Fundraising	Total
	\$	\$	\$	\$
Salaries and wages	252,356	33,646	50,472	336,474
Special Events expenses	2,754		33,265	36,019
Fleming House	100,000			100,000
Advertising and promotions	45,818		15,273	61,091
Website	5,765			5,765
Utilities	16,996	5,665		22,661
Telephone	9,597	3,199		12,796
Taxes and licenses		4,382		4,382
Payroll taxes	21,621	2,883	4,324	28,828
Dues and subscriptions	1,850			1,850
Hospitality		4,467		4,467
Professional fees		23,829		23,829
Office maintenance		2,056		2,056
House maintenance				
Insurance	5,692	1,287		5,692
Annual meeting	3,860			3,860
Newsletter	3,928			3,928
Development	7,768			7,768
Office supplies	55,867		18,622	74,489
Credit card fees	11,751	3,917		15,668
Printing	11,530	2,516	839	15,885
Education expense and supplies				
Exhibits	215			215
Tour brochures	3,024			3,024
Lecture series	12,247			12,247
Group health insurance	1,001			1,001
Housekeeping	4,729	631	946	6,306
Mileage	8,253	2,751		11,004
Grounds rental expense	881			881
Other	11,776			11,776
Yard and garden maintenance	2,487			2,487
Garden purchases	13,135			13,135
Garden maintenance	1,250			1,250
Collections management	49,882			49,882
Advisory board	11,163			11,163
Security	185			185
Travel	974			974
Depreciation expense		518		518
Total expense	678,355	92,379	123,741	894,475

See notes to financial statements.