

The Battle of Franklin Trust, Inc.

(A Nonprofit Corporation)

Financial Statements

With Independent Auditors' Report Thereon

For the Years Ended June 30, 2021 and 2020

H A Beasley & Company, PLLC

Certified Public Accountants

Murfreesboro, Tennessee

The Battle of Franklin Trust, Inc.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
 FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7



**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.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Battle of Franklin Trust, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Battle of Franklin Trust, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Battle of Franklin Trust, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note B to the financial statements, in the year ending June 30, 2021 the Organization adopted *FASB ASU No. 2020-03, Codification Improvements to Financial Instruments*, which provides clarity on certain accounting standards for financial instruments, *FASB ASU No. 2018-13 Fair Value Measurements (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which provides clarity on updates to fair value measurement disclosure requirements, and *FASB ASU No. 2014-09, Revenue from Contracts with Customers*, which provides new accounting guidance related to revenue recognition. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Battle of Franklin Trust, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

A Positive Difference Through Professional Accounting Service

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Battle of Franklin Trust, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Battle of Franklin Trust, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in blue ink that reads "H A Beasley & Company, PLLC". The signature is written in a cursive, flowing style.

H A Beasley & Company, PLLC
January 19, 2022

THE BATTLE OF FRANKLIN TRUST, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS		
	2021	2020
		As adjusted (Note B)
CURRENT ASSETS		
Cash and cash equivalents	\$ 992,078	\$ 711,621
Grant receivable, current portion, net	107,100	107,143
Other receivables	8,333	-
Inventory, net	98,214	108,361
Prepaid expenses	12,847	5,409
Total current assets	1,218,572	932,534
LAND, BUILDING, EQUIPMENT AND COLLECTIONS, NET	3,724,518	3,616,285
OTHER ASSETS		
Investments	1,303,420	1,091,667
Restricted cash and equivalents	22,250	7,304
Beneficial interest in perpetual trust	1,097,154	906,262
Grant receivable, noncurrent portion, net	-	102,270
Wagner Line partnership interest	116,400	62,800
Total other assets	2,539,224	2,170,303
TOTAL ASSETS	\$ 7,482,314	\$ 6,719,122
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Notes payable, current	\$ -	\$ 74,832
Accounts payable	4,210	3,689
Accrued expenses	27,218	19,030
Deposits held for others	25,617	4,804
Deferred revenue	46,450	59,108
Total current liabilities	103,495	161,463
LONG-TERM LIABILITIES		
Notes payable, net of current portion	139,400	111,417
TOTAL LIABILITIES	242,895	272,880
NET ASSETS		
Without donor restrictions:		
Board designated	1,124,574	917,310
Undesignated	4,098,394	3,648,082
Total net assets without donor restrictions	5,222,968	4,565,392
With donor restrictions:		
Subject to time or purpose restrictions	457,114	527,351
In perpetuity	1,559,337	1,353,499
Total net assets with donor restrictions	2,016,451	1,880,850
TOTAL NET ASSETS	7,239,419	6,446,242
TOTAL LIABILITIES AND NET ASSETS	\$ 7,482,314	\$ 6,719,122

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, 2021 AND 2020

	2021		2020	
			As adjusted (Note B)	
	Without	With	Without	With
	Donor Restrictions	Donor Restrictions	Donor Restrictions	Donor Restrictions
	Totals	Totals	Totals	Totals
Revenue and Support				
Tour admissions	\$ 744,274	\$ -	\$ 841,481	\$ -
Contributions	207,649	44,327	196,077	186,930
Museum shop sales, net	89,446	-	90,537	-
Grants	207,475	-	122,792	-
Ground rental	123,857	-	77,086	-
Membership dues	69,258	-	37,553	-
Investment income, net	283,354	-	41,374	-
Other	143,384	-	22,680	-
Gain (loss) on beneficial interest in perpetual trust	-	190,892	-	(31,503)
Totals	1,868,697	235,219	1,429,580	155,427
Fundraising event tickets	18,838	-	61,370	-
Less: Cost of direct benefit to donor	(10,817)	-	(40,974)	-
Net revenue from fundraising event	8,021	-	20,396	-
Net assets released from donor restrictions:				
Satisfaction of program restrictions	99,618	(99,618)	40,538	(40,538)
Total revenue and support	1,976,336	135,601	1,490,514	114,889
Expenses				
Program services	1,043,018	-	1,276,726	-
Supporting services				
Management and general	122,171	-	110,748	-
Fundraising	153,571	-	161,193	-
Total expenses	1,318,760	-	1,548,667	-
CHANGE IN NET ASSETS	657,576	135,601	(58,153)	114,889
NET ASSETS AT BEGINNING OF YEAR	4,565,392	1,880,850	4,623,545	1,765,961
NET ASSETS AT END OF YEAR	\$ 5,222,968	\$ 2,016,451	\$ 4,565,392	\$ 1,880,850
				\$ 6,446,242

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, 2021 AND 2020

	2021			2020				
	Supporting Services			As adjusted (Note B)				
	Program Services	Management and General	Fund-raising	Totals	Program Services	Management and General	Fund-raising	Totals
Wages	\$ 566,090	\$ 48,714	\$ 116,827	\$ 731,631	\$ 657,251	\$ 49,139	\$ 116,974	\$ 823,364
Garden and grounds maintenance	97,231	-	-	97,231	128,652	-	-	128,652
Advertising and promotions	30,164	-	5,323	35,487	68,405	-	12,072	80,477
Payroll taxes	42,822	2,580	6,191	51,593	50,488	3,041	7,299	60,828
Employee benefits	38,086	2,294	5,507	45,887	37,821	2,278	5,468	45,567
Depreciation	45,862	5,733	5,733	57,328	45,337	5,667	5,667	56,671
Special events	345	-	460	805	-	-	-	-
Office equipment and supplies	23,161	2,449	524	26,134	25,786	2,727	582	29,095
Marketing Consultant	-	46,000	-	46,000	-	38,250	-	38,250
Credit card fees	28,516	-	-	28,516	29,495	-	-	29,495
Utilities	23,747	1,979	659	26,385	25,466	2,122	707	28,295
Newsletter	14,597	-	-	14,597	17,153	-	-	17,153
Housekeeping	53	-	-	53	18,879	-	-	18,879
Insurance	23,492	1,469	-	24,961	7,862	493	-	8,355
Telephone	20,772	1,247	1,871	23,890	20,699	1,243	1,864	23,806
House maintenance	14,514	-	-	14,514	47,184	-	-	47,184
Legacy dinner	-	-	-	-	2,314	-	2,314	4,628
Exhibits	12,312	-	-	12,312	8,264	-	-	8,264
Tour brochures and rack cards	4,710	-	-	4,710	8,250	-	-	8,250
Miller House maintenance	-	8,413	-	8,413	-	3,080	-	3,080
Education and training	1,276	-	-	1,276	1,950	-	-	1,950
Professional fees	11,616	-	303	11,919	12,231	-	319	12,550
Development and membership	3,801	-	9,598	13,399	2,957	-	7,465	10,422
Interest	1,676	-	-	1,676	4,242	-	-	4,242
Grounds rental expense	4,324	-	-	4,324	6,313	-	-	6,313
Collections management	10,495	-	-	10,495	2,868	-	-	2,868
Security	6,695	-	-	6,695	6,566	-	-	6,566
Miscellaneous	2,974	32	-	3,006	11,525	57	-	11,582
Postage and printing	3,934	1,197	575	5,706	3,188	970	462	4,620
Office maintenance	6,616	-	-	6,616	11,276	-	-	11,276
Dues and subscriptions	2,255	-	-	2,255	1,835	-	-	1,835
Hospitality	-	64	-	64	-	1,681	-	1,681
Mileage	882	-	-	882	2,469	-	-	2,469
Land fund expenses	-	-	-	-	10,000	-	-	10,000
Total functional expenses	\$ 1,043,018	\$ 122,171	\$ 153,571	\$ 1,318,760	\$ 1,276,726	\$ 110,748	\$ 161,193	\$ 1,548,667

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u> As adjusted (Note B)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 793,177	\$ 56,736
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	57,328	56,671
Net realized and unrealized gain on investments	(264,378)	(16,816)
Loss (gain) on beneficial interest in perpetual trust	(190,892)	31,503
Withdrawals from investments	39,635	40,965
Non-cash donation of investments	(9,517)	(8,811)
Non-cash donation of land	-	(7,900)
Forgiveness of PPP loan	(131,700)	-
Loss on disposal of equipment	-	658
(Increase) decrease in operating assets:		
Grant receivable, net	102,313	91,502
Other receivables	(8,333)	-
Inventory	10,147	(8,323)
Prepaid expenses and other	(7,438)	(5,409)
Increase (decrease) in operating liabilities:		
Accounts payable	521	2,087
Accrued expenses	8,188	8,803
Deposits held for others	20,813	(2,538)
Deferred revenue	(12,658)	34,046
Net cash provided by operating activities	407,206	273,174
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(129,798)	(2,303,445)
Proceeds from sale of investments	98,705	2,178,735
Purchase of land, building, equipment and collections	(165,561)	(64,167)
Net cash used for investing activities	(196,654)	(188,877)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	139,400	131,700
Principal payments on note payable	(54,549)	(105,451)
Net cash provided by financing activities	84,851	26,249
Net increase in cash, cash equivalents and restricted cash	295,403	110,546
Beginning cash, cash equivalents and restricted cash	718,925	608,379
Ending cash, cash equivalents and restricted cash	<u>\$ 1,014,328</u>	<u>\$ 718,925</u>

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, 2021 and 2020

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Battle of Franklin Trust, Inc. (the “Trust”) is a tax-exempt Trust 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 three historic sites, two of which are in Franklin, Tennessee, with the third site in Spring Hill, Tennessee. 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 Cash Equivalents and Restricted Cash and Equivalents

Cash and cash equivalents and restricted cash and equivalents include cash and short-term investments with an initial maturity date of three months or less. Cash and equivalents as of June 30, 2021 and 2020 that were permanently restricted by donors for endowment purposes totaled \$22,250 and \$7,304, 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, 2021 and 2020

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, Net

Inventory consists of gift shop items. Inventory is stated at the lower of cost (first in, first out basis) or net realizable value. Management has estimated the allowance for slow-moving items to be \$-0- as of both June 30, 2021 and 2020.

Beneficial Interest in Perpetual Trust

The Trust is a beneficiary of an established and funded trust which is administered by a different Trust. 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.

Land, Buildings, Equipment and Collections

Land, buildings, equipment and collections are recorded at cost or, for donated items, at the estimated fair value as of the date received. The Trust capitalizes all property and equipment expenditures with a cost of \$5,000 or more. All expenditures for collections are capitalized.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

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

Land, Buildings, Equipment and Collections (continued)

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. 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 39 years for buildings. Historical buildings and collections are not depreciated.

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 \$116,400 and \$62,800, respectively, as of June 30, 2021 and 2020. Unrealized gain on the partnership interest for the years ended June 30, 2021 and 2020 totaled \$53,600 and \$-0-, respectively.

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 land building, equipment and collections, net on the statements of financial position.

Revenue Recognition

The Trust has several revenue streams that are considered an exchange transaction under *Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers ("ASU 2014-09")* as those making the payments are receiving services with commensurate value to the payment they are making. These revenue streams are described as follows:

Educational Tours

The Trust offers educational tours to visitors. The Trust recognizes revenue for tour admissions upon the date of service which is considered the point in time when they meet their performance obligation related to the tours.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

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

Revenue Recognition (continued)

Special Fundraising Events

The Trust generally hosts annual concerts in June and July as fundraising events. The Trust collects payments for tickets for these events. The Trust recognizes revenue from this revenue stream when the event occurs which is the point in time that the Trust is considered to meet its performance obligations under the contract with its customers. For the years ended June 30, 2021 and 2020, total revenue from the June concert totaled \$18,838 and \$-0-, respectively and the July concert totaled \$-0- and \$30,761, respectively. The full amount of the ticket price is considered an exchange transaction. Due to the COVID-19 pandemic, no concert was held in June or July, 2020.

During the year ended June 30, 2021, the Trust collected payments for tickets for the concert to be held in July 2021. These ticket payments collected represent a contract liability as the performance obligation (providing a concert to those who purchased tickets, which is the point in time revenue is recognized for this event) had not yet occurred as of June 30, 2021. Tickets purchased in advance totaled \$10,180 and are included in deferred revenue on the statements of financial position.

During the year ending June 30, 2020 the Trust hosted their annual Bootleggers Bash event. This event featured live music, dinner, and tasting samples from local distillers. The Trust also collected payments for tickets for this event. The Trust recognizes revenue from this revenue stream when the event occurs. For the year ended June 30, 2020, total revenue from this event was \$30,609. Of this amount, \$15,609 was recognized as an exchange transaction for the purchase of a ticket, and \$15,000 was received as contributions or sponsorships. Due to the COVID-19 pandemic, this event was not held during the year ended June 30, 2021.

Museum Shop Sales

The Trust does operate museum shops at each of the historic locations where visitors can purchase various items related to the history of the properties. The Trust meets their performance obligation to their customers for the museum shop sales at the time the customer purchases an item. The payment from the customer and their taking possession of the item are simultaneous so no contract asset or liability are generated from this revenue stream.

Memberships

The Trust offers various memberships, which are also considered an exchange transaction under *ASU 2014-09*. There are multiple performance obligations included in each level of membership. Each membership has been allocated to these different performance obligations based on their fair values. Ten percent of every membership purchased has been designated by the board to be transferred into the Battle of Franklin Endowment. The fair values of some memberships have been reduced based on the member benefits outweighing the cost of the membership.

The performance obligations related to these memberships may result in a contract liability. For the years ended June 30, 2021 and 2020, revenue recognized for membership dues totaled \$69,258 and \$37,553, respectively. For the years ended June 30, 2021 and 2020, amounts received resulting in a contract liability totaled \$28,845, and \$22,492, respectively, and are included in deferred revenue on the statements of financial position.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

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

Revenue Recognition (continued)

Memberships (continued)

Below is the allocation of the fair value of the performance obligations for each level of membership:

Performance Obligation	Fair Value Allocation by Membership Level					
	Legacy Donor	Preservation Donor	Family Donor	Blue and Gray Donor	Individual Donor	Young Historian
Dispatch Magazine Issue 1	\$ 10.00	\$ 5.11	\$ 4.02	\$ 2.93	\$ 3.00	\$ 1.14
Dispatch Magazine Issue 2	10.00	5.11	4.02	2.93	3.00	1.14
Dispatch Magazine Issue 3	10.00	5.11	4.02	2.93	3.00	1.14
Dispatch Magazine Issue 4	10.00	5.11	4.02	2.93	3.00	1.14
Annual pass (1 person)	-	-	-	-	24.00	9.14
Annual pass (2 individuals)	-	-	-	46.78	-	-
Annual pass (3 individuals)	-	-	96.42	-	-	-
Annual pass (4 individuals)	-	204.56	-	-	-	-
Annual pass (5 individuals)	400.00	-	-	-	-	-
American Document Booklet	-	-	-	-	-	2.29
Carnton Sunset Summer Concert Series	60.00	-	-	-	-	-
Exchange portion of membership dues	500.00	225.00	112.50	58.50	36.00	15.99
Contribution portion	500.00	25.00	12.50	6.50	4.00	1.77
Total membership cost	<u>\$ 1,000.00</u>	<u>\$ 250.00</u>	<u>\$ 125.00</u>	<u>\$ 65.00</u>	<u>\$ 40.00</u>	<u>\$ 17.76</u>

Grounds Rental

The Trust also rents areas of their grounds for weddings and photography. Amounts for this are received in advance and the revenue is recognized at the point in time when the wedding or photography session takes place. Payments received in advance also result in a contract liability.

The Trust also rents the Miller House to another not-for-profit entity. Rent is received at the beginning of each month and the Trust recognizes the monthly rental at that time as they meet their obligation by the end of each month by allowing the tenant to use the property.

For the years ended June 30, 2021 and 2020, revenue recognized for grounds rental totaled \$123,857 and \$77,086, respectively. For the years ended June 30, 2021 and 2020, payments received in advance which resulted in a contract liability totaled \$7,425 and \$36,616, respectively, and are included in deferred revenue on the statements of financial position.

The Trust's contracts with their customers do not have a significant financing component, and there were no uncompleted contracts with customers resulting in a contract asset as of both June 30, 2021 and 2020. Contract liabilities from uncompleted contracts with customers totaled \$46,527 and \$59,108 as of June 30, 2021 and 2020, respectively. There were also no receivables from contracts with customers as of both June 30, 2021 and 2020.

Advertising Costs

The Trust expenses the cost of non-direct responsive advertising as incurred. For the years ended June 30, 2021 and 2020, advertising costs totaled \$81,487 and \$118,727, respectively.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

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 Trust 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 2018, and to state tax authorities for years before 2016.

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, 2021 and 2020.

NOTE B –NEW AUTHORITATIVE ACCOUNTING GUIDANCE

ASU 2020-03

As a result of updates to the Accounting Standards Codification, during the year ended June 30, 2021, the Trust adopted *FASB ASU No. 2020-03, Codification Improvements to Financial Instruments*, which relates to the accounting disclosure requirements for financial instruments. *ASU 2020-03: Issue One* clarifies guidance in *ASC Subtopic 825-10, Financial Instruments – Disclosure– Fair Value Option* related to the disclosure requirements for financial instruments valued using the fair value option. The Trust did apply this new standard prospectively, but did not have any of these specific transactions thus there was no material impact on the Trust's changes in net assets, financial position, or cash flows upon adoption of the new standard.

ASU 2020-03: Issue Four clarifies the guidance provided in *ASC Subtopic 470-50, Debt – Derecognition – General* related to the accounting for lender fees and third-party costs directly related to exchanges or modifications of debt instruments, line-of-credit and revolving-debt arrangements. The Trust did apply this new standard prospectively, but did not have any of these specific transactions thus there was no material impact on the Trust's changes in net assets, financial position, or cash flows upon adoption of the new standard.

ASU 2018-13

Due to updates to the Accounting Standards Codification, *ASU 2018-13 Fair Value Measurements (Topic 820), Disclosure Framework – Changes to Disclosure Requirements for Fair Value Measurement*, was adopted by the Trust. This ASU makes amendments to the disclosures related to fair value measurements to facilitate clear communication of information that is important to the users of the financial statements. The Trust adopted *ASU 2018-13* retrospectively. There was no material impact on the Trust's changes in net assets, financial position or cash flows upon adoption of this new standard.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE B –NEW AUTHORITATIVE ACCOUNTING GUIDANCE (CONTINUED)

ASU 2014-09

As a result of updates to the Accounting Standards Codification, as of July 1, 2020, the Trust implemented *FASB ASU No. 2014-09, Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, “*ASC 606*”), which creates a single framework for recognizing revenue from contracts with customers that fall within its scope and revises when it is appropriate to recognize a gain or loss from the transfer of nonfinancial assets. The tour admissions, museum shop revenue, membership dues and grounds rental revenues are all considered an exchange transaction under *ASC 606*, as the Trust is providing a benefit in exchange for consideration received.

The Trust adopted *ASC 606* using the modified retrospective method that applies to all contracts not completed as of July 1, 2020. The comparative financial statements of the prior year have been adjusted to apply the new standard retrospectively. The following financial statement line items for fiscal years 2021 and 2020 were affected by the change in accounting principle:

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	As computed before the adoption of ASU 606:			As reported under ASU 606:			Effect of Change
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals	
Revenue and Support							
Tour admissions	\$ 744,274	\$ -	\$ 744,274	\$ 744,274	\$ -	\$ 744,274	\$ -
Contributions	207,649	44,327	251,976	207,649	44,327	251,976	-
Museum shop, net	89,446	-	89,446	89,446	-	89,446	-
Grants	207,475	-	207,475	207,475	-	207,475	-
Ground rental	123,857	-	123,857	123,857	-	123,857	-
Membership dues	75,611	-	75,611	69,258	-	69,258	(6,353)
Investment income, net	283,354	-	283,354	283,354	-	283,354	-
Other	143,384	-	143,384	143,384	-	143,384	-
Gain (loss) on beneficial interest in perpetual trust	-	190,892	190,892	-	190,892	190,892	-
Totals	1,875,050	235,219	2,110,269	1,868,697	235,219	2,103,916	(6,353)
Fundraising event tickets	18,838	-	18,838	18,838	-	18,838	-
Less: Cost of direct benefit to donor	(10,817)	-	(10,817)	(10,817)	-	(10,817)	-
Net revenue from fundraising event	8,021	-	8,021	8,021	-	8,021	-
Net assets released from donor restrictions:							
Satisfaction of program restrictions	99,618	(99,618)	-	99,618	(99,618)	-	-
Total revenue and support	1,982,689	135,601	2,118,290	1,976,336	135,601	2,111,937	(6,353)
Expenses							
Program services	1,043,018	-	1,043,018	1,043,018	-	1,043,018	-
Supporting services							
Management and general	122,171	-	122,171	122,171	-	122,171	-
Fundraising	153,571	-	153,571	153,571	-	153,571	-
Total expenses	1,318,760	-	1,318,760	1,318,760	-	1,318,760	-
CHANGE IN NET ASSETS	663,929	135,601	799,530	657,576	135,601	793,177	(6,353)
NET ASSETS AT BEGINNING OF YEAR	4,587,884	1,880,850	6,468,734	4,565,392	1,880,850	6,446,242	(22,492)
NET ASSETS AT END OF YEAR	\$ 5,251,813	\$ 2,016,451	\$ 7,268,264	\$ 5,222,968	\$ 2,016,451	\$ 7,239,419	\$ (28,845)

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE B –NEW AUTHORITATIVE ACCOUNTING GUIDANCE (CONTINUED)

ASU 2014-09 (continued)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	As originally reported			As reported under ASU 606			Effect of Change
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals	
Revenue and Support							
Tour admissions	\$ 841,481	\$ -	\$ 841,481	\$ 841,481	\$ -	\$ 841,481	\$ -
Contributions	196,077	186,930	383,007	196,077	186,930	383,007	-
Museum shop, net	90,537	-	90,537	90,537	-	90,537	-
Grants	122,792	-	122,792	122,792	-	122,792	-
Ground rental	77,086	-	77,086	77,086	-	77,086	-
Special events	62,050	-	62,050	-	-	-	(62,050)
Membership dues	60,045	-	60,045	37,553	-	37,553	(22,492)
Investment income, net	41,374	-	41,374	41,374	-	41,374	-
Other	22,000	-	22,000	22,680	-	22,680	680
Loss on beneficial interest in perpetual trust	-	(31,503)	(31,503)	-	(31,503)	(31,503)	-
Totals	1,513,442	155,427	1,668,869	1,429,580	155,427	1,585,007	(83,862)
Fundraising event tickets	-	-	-	61,370	-	61,370	61,370
Less: Cost of direct benefit to donor	-	-	-	(40,974)	-	(40,974)	(40,974)
Net revenue from fundraising event	-	-	-	20,396	-	20,396	20,396
Net assets released from donor restrictions:							-
Satisfaction of program restrictions	40,538	(40,538)	-	40,538	(40,538)	-	-
Total revenue and support	1,553,980	114,889	1,668,869	1,490,514	114,889	1,605,403	(63,466)
Expenses							
Program services	1,290,617	-	1,290,617	1,276,726	-	1,276,726	(13,891)
Supporting services	-	-	-	-	-	-	-
Management and general	110,748	-	110,748	110,748	-	110,748	-
Fundraising	188,276	-	188,276	161,193	-	161,193	(27,083)
Total expenses	1,589,641	-	1,589,641	1,548,667	-	1,548,667	(40,974)
CHANGE IN NET ASSETS	(35,661)	114,889	79,228	(58,153)	114,889	56,736	(22,492)
NET ASSETS AT BEGINNING OF YEAR	4,623,545	1,765,961	6,389,506	4,623,545	1,765,961	6,389,506	-
NET ASSETS AT END OF YEAR	\$ 4,587,884	\$ 1,880,850	\$ 6,468,734	\$ 4,565,392	\$ 1,880,850	\$ 6,446,242	\$ (22,492)

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE B –NEW AUTHORITATIVE ACCOUNTING GUIDANCE (CONTINUED)

ASU 2014-09 (continued)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

	As computed before the adoption of ASU 606:	As reported under ASU 606	Effect of Change
	<u>\$ 7,482,314</u>	<u>\$ 7,482,314</u>	<u>\$ -</u>
TOTAL ASSETS			
CURRENT LIABILITIES			
Notes payable, current	\$ -	\$ -	\$ -
Accounts payable	4,210	4,210	-
Accrued expenses	27,218	27,218	-
Deposits held for others	25,617	25,617	-
Deferred revenue	<u>17,605</u>	<u>46,450</u>	<u>28,845</u>
Total current liabilities	74,650	103,495	28,845
LONG-TERM LIABILITIES			
Notes payable, net of current portion	<u>139,400</u>	<u>139,400</u>	<u>-</u>
TOTAL LIABILITIES	214,050	242,895	28,845
NET ASSETS			
Without donor restrictions:			
Board designated	1,124,574	1,124,574	-
Undesignated	<u>4,127,239</u>	<u>4,098,394</u>	<u>(28,845)</u>
Total net assets without donor restrictions	5,251,813	5,222,968	(28,845)
With donor restrictions:			
Subject to time or purpose restrictions	457,114	457,114	-
In perpetuity	<u>1,559,337</u>	<u>1,559,337</u>	<u>-</u>
Total net assets with donor restrictions	2,016,451	2,016,451	-
TOTAL NET ASSETS	<u>7,268,264</u>	<u>7,239,419</u>	<u>(28,845)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,482,314</u>	<u>\$ 7,482,314</u>	<u>\$ -</u>

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE B –NEW AUTHORITATIVE ACCOUNTING GUIDANCE (CONTINUED)

ASU 2014-09 (continued)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

	As computed before the adoption of ASU 606:	As reported under ASU 606	Effect of Change
	<u>\$ 6,719,122</u>	<u>\$ 6,719,122</u>	<u>\$ -</u>
TOTAL ASSETS			
CURRENT LIABILITIES			
Notes payable, current	\$ 74,832	\$ 74,832	\$ -
Accounts payable	3,689	3,689	-
Accrued expenses	19,030	19,030	-
Deposits held for others	4,804	4,804	-
Deferred revenue	<u>36,616</u>	<u>59,108</u>	<u>22,492</u>
Total current liabilities	138,971	161,463	22,492
LONG-TERM LIABILITIES			
Notes payable, net of current portion	<u>111,417</u>	<u>111,417</u>	<u>-</u>
TOTAL LIABILITIES	250,388	272,880	22,492
NET ASSETS			
Without donor restrictions:			
Board designated	917,310	917,310	-
Undesignated	<u>3,670,574</u>	<u>3,648,082</u>	<u>(22,492)</u>
Total net assets without donor restrictions	4,587,884	4,565,392	(22,492)
With donor restrictions:			
Subject to time or purpose restrictions	527,351	527,351	-
In perpetuity	<u>1,353,499</u>	<u>1,353,499</u>	<u>-</u>
Total net assets with donor restrictions	<u>1,880,850</u>	<u>1,880,850</u>	<u>-</u>
TOTAL NET ASSETS	<u>6,468,734</u>	<u>6,446,242</u>	<u>(22,492)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,719,122</u>	<u>\$ 6,719,122</u>	<u>\$ -</u>

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE B –NEW AUTHORITATIVE ACCOUNTING GUIDANCE (CONTINUED)

ASU 2014-09 (continued)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	As computed before the adoption of ASU 606	As reported under ASU 606	Effect of Change
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 799,530	\$ 793,177	\$ (6,353)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization	57,328	57,328	-
Net realized and unrealized (gain) loss on investments	(264,378)	(264,378)	-
Loss (gain) on beneficial interest in perpetual trust	(190,892)	(190,892)	-
Withdrawals from investments	39,635	39,635	-
Non-cash donation of investments	(9,517)	(9,517)	-
Forgiveness of PPP loan	(131,700)	(131,700)	-
Non-cash donation of land	-	-	-
Loss (gain) on disposal of equipment	-	-	-
(Increase) decrease in operating assets:			-
Grant receivable, net	102,313	102,313	-
Other receivables	(8,333)	(8,333)	-
Inventory	10,147	10,147	-
Prepaid expenses and other	(7,438)	(7,438)	-
Increase (decrease) in operating liabilities:			-
Accounts payable	521	521	-
Accrued expenses	8,188	8,188	-
Deposits held for others	20,813	20,813	-
Deferred revenue	(19,011)	(12,658)	6,353
Net cash provided by operating activities	407,206	407,206	-
Net cash used for investing activities	(196,654)	(196,654)	-
Net cash provided by financing activities	84,851	84,851	-
Net increase in cash and cash equivalents	295,403	295,403	-
Beginning cash and cash equivalents	718,925	718,925	-
Ending cash and cash equivalents	<u>\$ 1,014,328</u>	<u>\$ 1,014,328</u>	<u>\$ -</u>

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE B –NEW AUTHORITATIVE ACCOUNTING GUIDANCE (CONTINUED)

ASU 2014-09 (continued)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	As computed before the adoption of ASU 606	As reported under ASU 606	Effect of Change
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 79,228	\$ 56,736	\$ (22,492)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization	56,671	56,671	-
Net realized and unrealized (gain) loss on investments	(16,816)	(16,816)	-
Loss (gain) on beneficial interest in perpetual trust	31,503	31,503	-
Withdrawals from investments	40,965	40,965	-
Non-cash donation of investments	(8,811)	(8,811)	-
Non-cash donation of land	(7,900)	(7,900)	-
Loss (gain) on disposal of equipment	658	658	-
(Increase) decrease in operating assets:			-
Grant receivable, net	91,502	91,502	-
Inventory	(8,323)	(8,323)	-
Prepaid expenses and other	(5,409)	(5,409)	-
Increase (decrease) in operating liabilities:			-
Accounts payable	2,087	2,087	-
Accrued expenses	8,803	8,803	-
Deposits held for others	(2,538)	(2,538)	-
Deferred revenue	11,554	34,046	22,492
Net cash provided by operating activities	273,174	273,174	-
Net cash used for investing activities	(188,877)	(188,877)	-
Net cash provided by (used in) financing activities	26,249	26,249	-
Net increase in cash, cash equivalents, and restricted cash	110,546	110,546	-
Beginning cash and equivalents and restricted cash	608,379	608,379	-
Ending cash and equivalents and restricted cash	<u>\$ 718,925</u>	<u>\$ 718,925</u>	<u>\$ -</u>

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE C – CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND EQUIVALENTS

The following table provides a reconciliation of cash and equivalents and restricted cash and equivalents within the statements of financial position to the total of the same amounts shown in the statements of cash flows as of June 30, 2021 and 2020:

	2021	2020
Cash and equivalents	\$ 992,078	\$ 711,621
Cash restricted for donor endowment	<u>22,250</u>	<u>7,304</u>
Total cash and equivalents and cash restricted for donor endowment	<u>\$ 1,014,328</u>	<u>\$ 718,925</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.

Investments stated at fair value and are summarized by level within the fair value hierarchy are as follows as of June 30, 2021 and 2020:

	Fair Value Measurements at June 30, 2021			
	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	\$ 370,993	\$ -	\$ -	\$ 370,993
Exchange traded funds	394,238	-	-	394,238
Fixed income funds	315,912	-	-	315,912
Cash equivalents	<u>222,277</u>	<u>-</u>	<u>-</u>	<u>222,277</u>
Total investments at fair value	<u>\$ 1,303,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,303,420</u>
Beneficial interest in perpetual trust	<u>\$ -</u>	<u>\$ 1,097,154</u>	<u>\$ -</u>	<u>\$ 1,097,154</u>

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE D – INVESTMENTS (CONTINUED)

	Fair Value Measurements at June 30, 2020			Totals
	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	
Investments:				
Mutual funds	\$ 309,170	\$ -	\$ -	\$ 309,170
Corporate stocks	302,248	-	-	302,248
Exchange traded funds	270,253	-	-	270,253
Cash equivalents	209,996	-	-	209,996
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>

For donated investments, cost is determined to be the fair value at the date of gift. During the years ended June 30, 2021 and 2020, the Trust received \$9,517 and \$8,811 respectively, in donated investments.

As of June 30, 2021 and 2020, the unrealized gain on investments totaled \$217,076 and \$11,342, respectively. During the years ended June 30, 2021 and 2020, the change in the unrealized gain on investments totaled \$210,778 and \$16,816, respectively, and interest and dividends earned from these investments totaled \$31,325 and \$34,392, respectively. For the years ended June 30, 2021 and 2020, both are included in investment income net of expenses of \$12,349 and \$9,834, respectively. Investment income net of expenses for the years ended June 30, 2021 and 2020 related to the level 1 investment funds totaled \$229,754 and \$41,374, respectively.

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 Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE E – ENDOWMENTS (CONTINUED)

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.

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, 2021 and 2020, the Trust received \$30,000 and \$32,000, respectively, in 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.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE E – ENDOWMENTS (CONTINUED)

As of June 30, 2021 and 2020 the amounts that are board designated or donor restricted for endowment consist of the following:

	2021	2020
Cash and equivalents	\$ 2,855	\$ 7,211
Restricted cash and equivalents	22,250	7,304
Investments:		
Carnton Endowment	979,556	807,234
Battle of Franklin Trust Endowment	142,163	102,865
	<u>\$ 1,146,824</u>	<u>\$ 924,614</u>

The activity in the accounts that are either board designated or donor restricted for endowment purposes for the years ended June 30, 2021 and 2020 are as follows:

	2021		2020	
	Board Designated	Donor Designated	Board Designated	Donor Designated
Balance, beginning of year	\$ 917,310	\$ 7,304	\$ 911,769	\$ -
Contributions	7,646	14,946	5,260	7,304
Distributions	(30,000)	-	(32,000)	-
Investment income	30,889	-	30,738	-
Interest income	8	-	198	-
Investment fees	(12,359)	-	(9,884)	-
Realized and unrealized gains (losses)	211,080	-	11,229	-
Balance, end of year	<u>\$ 1,124,574</u>	<u>\$ 22,250</u>	<u>\$ 917,310</u>	<u>\$ 7,304</u>

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. As of June 30, 2021 there was only one payment left to be received. The payment amount is \$107,100 and will be received during the 2022 fiscal year.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE G – LAND, BUILDING, EQUIPMENT AND COLLECTIONS, NET

Land, building, equipment and collections, net is composed of the following as of June 30, 2021 and 2020:

	2021	2020
Land	\$ 631,989	\$ 631,989
Building and improvements	2,439,938	2,427,538
Historical improvements	352,427	205,450
Collections	718,540	717,785
Furniture and equipment	44,490	49,031
Construction in progress	151,220	145,791
Totals	4,338,604	4,177,584
Less: Accumulated depreciation and amortization	(614,086)	(561,299)
Total property and equipment, net	<u>\$ 3,724,518</u>	<u>\$ 3,616,285</u>

For the years ended June 30, 2021 and 2020, depreciation expense totaled \$57,328 and \$56,671, respectively.

NOTE H – ACCRUED EXPENSES

Accrued expenses are composed of the following as of June 30, 2021 and 2020:

	2021	2020
Accrued payroll	\$ 5,933	\$ 5,226
Payroll related liabilities	8,183	7,083
Sales tax payable	3,102	1,221
Security deposits returnable	10,000	5,500
Total accrued expenses	<u>\$ 27,218</u>	<u>\$ 19,030</u>

NOTE I – DEFERRED REVENUE

Contract liabilities incurred as a result of the following revenue streams are included in deferred revenue on the statements of financial position as of June 30, 2021 and 2020:

	2021	2020
		As Adjusted (Note B)
Grounds rental	\$ 7,425	\$ 36,616
Memberships	28,845	22,492
July concert	10,180	-
Total deferred revenue	<u>\$ 46,450</u>	<u>\$ 59,108</u>

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE J – 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, 2021:

Financial assets as of year-end:	
Cash, cash equivalents	\$ 1,014,328
Grants receivable, net	107,100
Other receivables	8,333
Investments	1,303,420
Prepaid expenses	<u>12,847</u>
Total financial assets as of year-end	2,446,028
Less amounts unavailable for general expenditures within one year:	
Contractual or donor-imposed restrictions:	
Subject to appropriation and satisfaction of donor or time restrictions:	457,114
Miller House funds	150,000
Donor restricted amounts for endowment purposes	<u>22,250</u>
	629,364
Board designations for endowment	<u>1,124,574</u>
Total unavailable for general expenditures within one year	<u>1,753,938</u>
Total financial assets available for general expenditures within one year	<u>\$ 692,090</u>

NOTE K – BOARD DESIGNATIONS OF NET ASSETS WITHOUT RESTRICTIONS

The Trust's Board of Directors has designated, from net assets without donor restrictions of \$1,124,574 and \$917,310, 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 L – 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, 2021 and 2020, support received totaled \$61,747 and \$186,930, respectively.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE L – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

The net assets with donor restrictions as of June 30, 2021 and 2020 are restricted for the following purposes or periods:

	2021	2020
Net assets subject to time or purposes restrictions:		
City of Franklin grant - for repayment of note payable	\$ -	\$ 54,549
Carter House and Carnton House properties restorations	10,030	11,134
Carter Hill Park	48,071	45,321
Funds for purchasing battlefield land	47,014	24,966
Donations for porch restoration	468	468
Museum/Visitor's Center Construction	161,274	156,824
Miller House investment earnings	31,702	31,569
Construction of USCT Statue	51,455	102,205
Total subject to purpose restrictions	350,014	427,036
Subject to passage of time restrictions:		
City of Franklin grant - time restriction	107,100	100,315
Total subject to time restrictions	107,100	100,315
Total net assets held subject to time or purpose restrictions	<u>\$ 457,114</u>	<u>\$ 527,351</u>
Net assets held in perpetuity for the following purposes:		
Beneficial interest in perpetual trust	\$ 1,097,154	\$ 906,262
Miller House property	289,933	289,933
Miller House funds	150,000	150,000
Restricted BOFT Endowment	22,250	7,304
Total net assets held in perpetuity	<u>\$ 1,559,337</u>	<u>\$ 1,353,499</u>

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, 2021 and 2020:

	2021	2020
City of Franklin grant - time restriction	\$ 47,764	\$ 1,692
Land funds	-	8,326
USCT Statue	50,750	-
Carnton Springhouse restoration	1,104	-
Porch donations	-	30,520
Total net assets released from restrictions	<u>\$ 99,618</u>	<u>\$ 40,538</u>

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE L – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets that are permanently restricted by the donors for endowment purposes were \$22,250 and \$7,304 as of June 30, 2021 and 2020, respectively. Income permanently restricted by donors for endowment purposes totaled \$14,946 and \$7,304 for the years ended June 30, 2021 and 2020, respectively.

NOTE M – NOTES PAYABLE

A summary of the notes payable at June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
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
Economic injury disaster loan received through the Small Business Administration; this was forgiven during the year ended June 30, 2021.	-	10,000
Note payable to a bank bearing interest at a rate of 1%; requiring monthly principal and interest payments of \$3,272 beginning in July 2022. The total principal balance is due February 2026. Note is through the Paycheck Protection Program (PPP) and the Trust anticipates this loan will be forgiven when they file the application for forgiveness.	139,400	-
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). This note was forgiven in full during the year ended June 30, 2021.	-	121,700
Total	139,400	186,249
Less: Current maturities of notes payable	-	(74,832)
Notes payable, less current maturities	<u>\$ 139,400</u>	<u>\$ 111,417</u>

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. This loan was paid off during the year ended June 30, 2021.

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. The Trust also received the Economic Injury Disaster Loan (EIDL) from the SBA for \$10,000.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE M – NOTES PAYABLE (CONTINUED)

On February 8, 2021, the SBA issued a full forgiveness of the loans granted through the CARES Act in the amount of \$131,700, which was then recognized as other income in the financial statements. This forgiveness was based on the Trust's use of the funds for qualifying expenses as described in the CARES Act, which include payroll costs, interest on mortgages, rent, and utilities.

On February 22, 2021, the Trust was granted a second loan from a bank in the amount of \$139,400 pursuant to the Paycheck Protection Program (the "PPP") under the Consolidated Appropriations Act which was enacted December 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 Consolidated Appropriations Act, which include payroll costs, interest on mortgages, rent, and utilities, over the chosen covered period, which can either be an eight to 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 believes it has used the entire loan amount for qualifying expenses and to maintain the salary levels listed on their PPP loan application and expects to receive full forgiveness of this loan.

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

<u>June 30,</u>	
2022	\$ -
2023	36,172
2024	38,411
2025	38,797
2026	26,020
Totals	<u>\$ 139,400</u>

NOTE N – 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 both June 30, 2021 and 2020 was 3.25%. The outstanding balance on the line of credit as of both June 30, 2021 and 2020 was \$-0-.

NOTE O – LEASES

During January 2018, the Trust entered into an agreement to lease a building on Columbia Avenue to Williamson County CASA, Inc. which will expire on January 31, 2022. The Trust received rental income of \$25,833 and \$25,000, respectively, for the years ended June 30, 2021 and 2020. Future minimum rentals are \$15,750 for the year ending June 30, 2022. The rentals are included in ground rentals in the accompanying statements of activities.

The Battle of Franklin Trust, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE O – LEASES (CONTINUED)

The assets leased under this agreement consist of the following as of June 30, 2021 and 2020:

	2021	2020
Land	\$ 84,700	\$ 84,700
Building and improvements	231,933	231,933
	316,633	316,633
Less accumulated depreciation	(21,717)	(20,316)
Totals	<u>\$ 294,916</u>	<u>\$ 296,317</u>

NOTE P - 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, 2021 and 2020, the Trust had funds in excess of the FDIC limits of \$417,477 and \$227,813, respectively.

NOTE Q – CASH FLOW INFORMATION

During the years ended June 30, 2021 and 2020, net cash provided by operating activities included cash payments of interest totaling \$1,676 and \$4,242, respectively. There were no cash payments for income taxes during both years ended June 30, 2021 and 2020.

During the years ended June 30, 2021 and 2020, non-cash investing activities excluded from the statements of cash flows include in-kind donations of property and equipment totaling \$-0- and \$7,900, respectively, and investments of \$9,517 and \$8,811, respectively.

NOTE R – RIPPAVILLA LOCATION

On May 26, 2021, the Trust began managing the Rippavilla historic site, which is located in Spring Hill, Tennessee. The City of Spring Hill owns this site. The Trust has an agreement with the City of Spring Hill that states the Trust is to receive payments over the next three years from the city for managing the site. The trust will receive \$100,000 during the year ending June 30, 2022, \$80,000 during the year ending June 30, 2023, and \$60,000 during the year ending June 30, 2024 for a total of \$240,000 from the City of Spring Hill. These payments will be received quarterly, on July 1, October 1, January 1, and April 1. As of June 30, 2021 the Trust has recognized a receivable of \$8,333, which is the amount earned by the trust for managing the Rippavilla site for 1 month as of June 30, 2021.

NOTE S - SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 19, 2022, which is the date the financial statements were available to be issued. There have been no other adjustments to the financial statements to include any subsequent transactions or events.

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.