

BATTLE OF FRANKLIN TRUST, INC.

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2019 and 2018

And Report of Independent Auditor

BATTLE OF FRANKLIN TRUST, INC.
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Report of Independent Auditor

To the Board of Directors
Battle of Franklin Trust, Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of Battle of Franklin Trust, Inc. (the "Trust") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Trust'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 Trust'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 Trust as of June 30, 2019 and 2018, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 2, the Trust adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

A handwritten signature in blue ink that reads "Chung BeKant LLP". The signature is written in a cursive, flowing style.

Nashville, Tennessee
January 28, 2020

BATTLE OF FRANKLIN TRUST, INC.
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 608,379	\$ 450,288
Grant receivable	107,143	107,143
Inventory	100,038	118,551
Total Current Assets	815,560	675,982
Investments	982,295	957,531
Beneficial interest in perpetual trust	937,765	940,102
Grant receivable, noncurrent, net	193,772	300,915
Land, building, equipment, and collections, net	3,601,547	3,553,976
Wagner Line partnership interest	62,800	62,800
Total Assets	\$ 6,593,739	\$ 6,491,306
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 11,829	\$ 16,962
Deposits held for others	7,342	10,272
Note payable, current	87,500	87,500
Deferred revenue	25,062	25,062
Total Current Liabilities	131,733	139,796
Note payable	72,500	174,216
Total Liabilities	204,233	314,012
Net Assets:		
Without Donor Restrictions:		
Board designated	911,770	856,511
Undesignated	3,711,775	3,689,470
Total Net Assets Without Donor Restrictions	4,623,545	4,545,981
With Donor Restrictions:		
Subject to time or purpose restrictions	388,263	251,278
In perpetuity	1,377,698	1,380,035
Total Net Assets With Donor Restrictions	1,765,961	1,631,313
Total Net Assets	6,389,506	6,177,294
Total Liabilities and Net Assets	\$ 6,593,739	\$ 6,491,306

The accompanying notes to the financial statements are an integral part of these statements.

BATTLE OF FRANKLIN TRUST, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Tour admissions	\$ 1,170,913	\$ -	\$ 1,170,913
Contributions	130,971	142,412	273,383
Museum shop, net	121,968	-	121,968
Grants	88,005	-	88,005
Ground rental	79,087	-	79,087
Special events	76,187	-	76,187
Membership dues	75,660	-	75,660
Investment income, net	57,129	-	57,129
Other	8,710	-	8,710
Loss on beneficial interest in perpetual trust	-	(2,337)	(2,337)
Net assets released from restrictions	5,427	(5,427)	-
Total Support and Revenue	1,814,057	134,648	1,948,705
Expenses:			
Program services	1,425,386	-	1,425,386
Management and general	122,455	-	122,455
Fundraising	188,652	-	188,652
Total Expenses	1,736,493	-	1,736,493
Change in net assets	77,564	134,648	212,212
Net assets, beginning of year	4,545,981	1,631,313	6,177,294
Net assets, end of year	\$ 4,623,545	\$ 1,765,961	\$ 6,389,506

The accompanying notes to the financial statements are an integral part of this statement.

BATTLE OF FRANKLIN TRUST, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Tour admissions	\$ 1,147,255	\$ -	\$ 1,147,255
Contributions	130,949	67,227	198,176
Museum shop, net	126,438	-	126,438
Ground rental	104,575	-	104,575
Grants	80,305	-	80,305
Membership dues	67,210	-	67,210
Special events	50,639	-	50,639
Gain on beneficial interest in perpetual trust	-	18,665	18,665
Other	8,388	-	8,388
Investment income, net	5,649	-	5,649
Net assets released from restrictions	149,423	(149,423)	-
Total Support and Revenue	1,870,831	(63,531)	1,807,300
Expenses:			
Program services	1,297,508	-	1,297,508
Management and general	141,881	-	141,881
Fundraising	184,822	-	184,822
Total Expenses	1,624,211	-	1,624,211
Change in net assets	246,620	(63,531)	183,089
Net assets, beginning of year	4,299,361	1,694,844	5,994,205
Net assets, end of year	\$ 4,545,981	\$ 1,631,313	\$ 6,177,294

The accompanying notes to the financial statements are an integral part of this statement.

BATTLE OF FRANKLIN TRUST, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 727,428	\$ 45,250	\$ 103,750	\$ 876,428
Garden and grounds maintenance	129,653	-	-	129,653
Advertising/promotions	61,917	-	10,926	72,843
Payroll taxes	54,089	3,258	7,820	65,167
Group health insurance	53,495	3,223	7,734	64,452
Depreciation	48,005	6,001	6,000	60,006
Special events	24,778	-	33,045	57,823
Office equipment and supplies	38,079	4,026	861	42,966
Marketing consultant	-	42,000	-	42,000
Credit card fees	35,147	-	-	35,147
Utilities	27,616	2,301	767	30,684
Newsletter	26,741	-	-	26,741
Housekeeping	26,332	-	-	26,332
Insurance	23,791	1,488	-	25,279
Telephone	19,986	1,200	1,800	22,986
House maintenance	17,266	-	-	17,266
Legacy dinner	8,049	-	8,049	16,098
Exhibits	15,951	-	-	15,951
Tour brochures/rack cards	12,942	-	-	12,942
Miller House maintenance	-	11,220	-	11,220
Education and training	10,712	-	-	10,712
Professional fees	10,020	-	261	10,281
Development and membership	2,817	-	7,113	9,930
Interest	8,375	-	-	8,375
Grounds rental expense	7,147	-	-	7,147
Collections management	6,693	-	-	6,693
Security	6,564	-	-	6,564
Miscellaneous	6,464	70	-	6,534
Postage and printing	3,599	1,095	526	5,220
Office maintenance	5,055	-	-	5,055
Dues/subscriptions	2,860	-	-	2,860
Carnton property restorations	1,919	-	-	1,919
Hospitality	-	1,323	-	1,323
Taxes/licenses	1,010	-	-	1,010
Mileage	886	-	-	886
Total Expenses	\$ 1,425,386	\$ 122,455	\$ 188,652	\$ 1,736,493

The accompanying notes to the financial statements are an integral part of this statement.

BATTLE OF FRANKLIN TRUST, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 658,936	\$ 43,750	\$ 111,250	\$ 813,936
Garden and grounds maintenance	107,055	-	-	107,055
Payroll taxes	49,512	3,305	8,385	61,202
Advertising/promotions	55,943	-	2,250	58,193
Group health insurance	51,478	958	2,535	54,971
Office equipment and supplies	37,043	2,700	4,577	44,320
Marketing consultant	-	42,000	-	42,000
Special events	11,417	-	28,760	40,177
Insurance	30,567	6,611	-	37,178
Credit card fees	35,077	-	-	35,077
Miller House maintenance	7,020	27,844	-	34,864
Utilities	29,283	1,723	3,445	34,451
Housekeeping	22,990	1,352	2,705	27,047
Tour brochures/rack cards	22,674	-	-	22,674
Depreciation	16,933	2,177	2,112	21,222
Telephone	15,683	2,091	3,137	20,911
Newsletter	17,825	-	-	17,825
Legacy dinner	8,014	-	8,014	16,028
Development and membership	8,845	4,000	2,901	15,746
Professional fees	15,321	-	261	15,582
Office maintenance	12,421	1,828	-	14,249
Interest	11,613	-	-	11,613
Exhibits	9,931	-	-	9,931
Carnton property restorations	9,668	-	-	9,668
Land improvements	8,425	-	-	8,425
Postage and printing	4,059	108	3,688	7,855
Security	7,699	-	-	7,699
Education and training	7,554	-	-	7,554
Grounds rental expense	7,358	-	-	7,358
House maintenance	4,256	-	-	4,256
Taxes/licenses	3,391	-	-	3,391
Dues/subscriptions	2,828	141	250	3,219
Miscellaneous	2,470	-	552	3,022
Collections management	2,329	-	-	2,329
Mileage	1,890	-	-	1,890
Hospitality	-	1,293	-	1,293
Total Expenses	\$ 1,297,508	\$ 141,881	\$ 184,822	\$ 1,624,211

The accompanying notes to the financial statements are an integral part of this statement.

BATTLE OF FRANKLIN TRUST, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 212,212	\$ 183,089
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Net unrealized and realized loss (gain) on investments	(35,253)	8,929
Loss (gain) on beneficial interest in perpetual trust	2,337	(18,665)
Depreciation	60,006	21,222
Changes in assets and liabilities:		
Grant receivable	107,143	107,143
Inventory	18,513	(13,883)
Prepaid expenses	-	15,430
Accounts payable and accrued liabilities	(5,133)	663
Deposits held for others	(2,930)	(8,499)
Net cash flows from operating activities	<u>356,895</u>	<u>295,429</u>
Cash flows from investing activities:		
Sales of investments	32,366	31,026
Purchases of investments	(21,877)	(14,577)
Purchases of land, building, equipment, and collections	(107,577)	(160,670)
Net cash flows from investing activities	<u>(97,088)</u>	<u>(144,221)</u>
Cash flows from financing activities:		
Payments on note payable	(101,716)	(104,000)
Net cash flows from financing activities	<u>(101,716)</u>	<u>(104,000)</u>
Increase in cash and cash equivalents	158,091	47,208
Cash and cash equivalents, beginning of year	450,288	403,080
Cash and cash equivalents, end of year	<u>\$ 608,379</u>	<u>\$ 450,288</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 8,375</u>	<u>\$ 11,613</u>

The accompanying notes to the financial statements are an integral part of these statements.

BATTLE OF FRANKLIN TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 1—Organization and purpose

Battle of Franklin Trust, Inc. (the “Trust”) was incorporated in 2009, in accordance with the Tennessee General Corporate 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. The Trust manages two historic sites in Franklin, Tennessee that witnessed the 1864 Battle of Franklin: Carter House and Carnton. Guided tours are provided on a daily basis at each location.

Note 2—Summary of significant accounting policies

Estimates – The preparation of 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and reporting prescribed for not-for-profit organizations. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – 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 on the statement of financial position.

Undesignated – Net assets that represent the cumulative net assets without donor restrictions excluding those net assets designated for specific activities by the Board of Directors.

Board Designated – The governing board has designated, from net assets, without donor restrictions, net assets for investment purposes to support future operations of the Trust. As of June 30, 2019 and 2018, the board has designated \$911,770 and \$856,511, respectively, of its unrestricted net assets for such purpose.

Net Assets With Donor Restrictions – 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 a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from 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 with donor restrictions. However, if a donor-imposed restriction is fulfilled in the same time period in which the contribution is received, the Trust reports the support as without donor restrictions.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Trust considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

BATTLE OF FRANKLIN TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

Investments – Investments are valued at their fair market values in the statements of financial position. Unrealized gains and losses as well as appreciation or depreciation in market value are reflected in the accompanying statements of activities as increases or decreases in assets without 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 (determined on a first-in, first-out basis) or market (net realizable value).

Beneficial Interest in Perpetual Trust – The Trust is a beneficiary of an established and funded trust which is administered by an organization other than the 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 the assets of the trust.

Land, Building, Equipment, and Collections – Land, building, equipment, and collections are stated at cost, except those received by gift, which are stated at estimated market value as of the date of the gift. Expenditures for ordinary maintenance and repairs are charged to expense. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation on building and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Useful lives range from 5 years for software and computers to 27.5 years for buildings.

Board Designations – As of June 30, 2019 and 2018, the board has designated \$911,770 and \$856,511, respectively, of its unrestricted net assets for investment purposes to support future operations of the Trust.

Contributions – Contributions are recognized when the donor makes a promise to give to the Trust that is, in substance, unconditional. Contributions specified for future periods or with donor-imposed restrictions are recognized in the period received as contributions with donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. When a restriction expires, contributions with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. The Trust uses the allowance method to determine uncollectible unconditional promises to give.

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

Donated Property – The Trust received an ownership interest in a partnership that owns land known as the Wagner Line property. The ownership interest is valued at \$62,800 at June 30, 2019 and 2018.

Functional Allocation of Expenses – 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 program and supporting services based on estimates by management. All expenses are allocated based on time and effort.

Federal Income Taxes – No provision for federal income taxes is made in the accompanying financial statements, as the Trust is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Subsequent Events – The Trust evaluated subsequent events through January 28, 2020, when these financial statements were available to be issued.

BATTLE OF FRANKLIN TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

New Accounting Pronouncement – On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14.

Future Pronouncements – In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance in this ASU supersedes the guidance in Topic 605, *Revenue Recognition*. ASU 2014-09 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. ASU 2014-09 will be effective for the Trust for the fiscal year ending June 30, 2020. The Trust is currently evaluating the effect of the implementation of this new standard.

In February 2016, the FASB issued 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. The new standard is effective for the Trust for the fiscal year ending June 30, 2022. 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. The Trust is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The standard will be effective for the fiscal year ending June 30, 2020. The Trust is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

BATTLE OF FRANKLIN TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 3—Liquidity and availability of resources

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 material 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, compromise the following at June 30, 2019:

Financial assets:

Cash and cash equivalents	\$ 608,379
Grants receivable	107,143
Investments	<u>982,295</u>
Total financial assets	1,697,817

Less amounts not available to be used for general expenditures within one year:

Board-designated endowment accounts	911,770
Miller House funds (Note 5)	150,000
Purpose and time restrictions	<u>388,263</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 247,784</u></u>

Note 4—Grant receivable

Grant receivable consists of an amount due from the city of Franklin, Tennessee. The grant 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 8 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 future grant payments are as follows:

Years Ending June 30,

2020	\$ 107,143
2021	107,143
2022	<u>107,100</u>
	321,386
Less unamortized discount on receivable	<u>(20,471)</u>
Net grant receivable	<u><u>\$ 300,915</u></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.

BATTLE OF FRANKLIN TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 5—Donor restrictions on net assets

Net assets with donor restrictions consist of the following at June 30, 2019 and 2018:

Net assets held subject to time or purpose restrictions:

	2019	2018
City of Franklin grant - time restriction	\$ 140,915	\$ 146,342
Carter House and Carnton House properties restorations	10,030	23,885
Carter Hill Park	38,706	38,381
Land funds	33,292	30,364
Porch donations	30,988	-
Museum/Visitor's Center	112,004	-
Miller House investment earnings	22,328	12,306
	<u>\$ 388,263</u>	<u>\$ 251,278</u>

Net assets held in perpetuity for the following purpose at June 30, 2019 and 2018:

	2019	2018
Beneficial interest in perpetual trust	\$ 937,765	\$ 940,102
Miller House property	289,933	289,933
Miller House funds	150,000	150,000
	<u>\$ 1,377,698</u>	<u>\$ 1,380,035</u>

Note 6—Investments and fair value measurements

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.

BATTLE OF FRANKLIN TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 6—Investments and fair value measurements (continued)

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 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.

The following tables set forth by level, within the fair value hierarchy, the Trust's assets at fair value as of June 30, 2019 and 2018:

June 30, 2019				
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds	\$ 386,454	\$ -	\$ -	\$ 386,454
Corporate stocks	247,024	-	-	247,024
Exchange traded funds	146,316	-	-	146,316
Cash equivalents	202,501	-	-	202,501
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>
June 30, 2018				
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds	\$ 442,719	\$ -	\$ -	\$ 442,719
Corporate stocks	231,695	-	-	231,695
Exchange traded funds	102,035	-	-	102,035
Cash equivalents	181,082	-	-	181,082
Total investments at fair value	<u>\$ 957,531</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 957,531</u>
Beneficial interest in perpetual trust	<u>\$ -</u>	<u>\$ 940,102</u>	<u>\$ -</u>	<u>\$ 940,102</u>

For the years ended June 30, 2019 and 2018, interest and dividends earned from these investments totaled \$28,463 and \$19,788, respectively. Net appreciation (depreciation) of investments amounted to \$35,253 and (\$8,929) for the years ended June 30, 2019 and 2018, respectively. Both are recorded in investment income on the statements of activities, net of related expenses totaling \$6,587 and \$5,210 for the years ended June 30, 2019 and 2018, respectively.

BATTLE OF FRANKLIN TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 7—Land, building, equipment, and collections

The components of land, building, equipment, and collections as of June 30, 2019 and 2018 are as follows:

	2019	2018
Land	\$ 624,089	\$ 624,089
Building and improvements	2,434,705	2,430,915
Historical improvements	205,450	191,025
Collections	714,828	710,879
Equipment	55,812	54,970
Construction in progress	84,571	-
	4,119,455	4,011,878
Less accumulated depreciation	(517,908)	(457,902)
Net land, building, equipment, and collections	<u>\$ 3,601,547</u>	<u>\$ 3,553,976</u>

Note 8—Notes payable

Effective February 2016, The Trust entered into a note payable with a bank subject to the following terms: interest fixed at 3.50%; maturity of February 10, 2023; secured by purchased property. The note 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 to pay the principal and interest of this note are to be funded by the grant receivable discussed in Note 4. Scheduled principal requirements are as follows:

Years Ending June 30,

2020	\$ 87,500
2021	72,500
	<u>\$ 160,000</u>

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% (currently 4.25%) and allows for borrowings up to \$300,000. The line of credit matures in December 2020. The Trust has made no draws against the line of credit as of June 30, 2019.

Note 9—Investment in donated property

The Trust was gifted a partnership interest holding a parcel of land located in Franklin, Tennessee known as the Wagner Line property. At June 30, 2019 and 2018, the Trust's ownership interest is value at \$62,800 and \$62,800, respectively, based on the most recent appraised property value.

BATTLE OF FRANKLIN TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 10—Leases

During January 2018, the Trust entered into an agreement to lease a building on Columbia Avenue to Williamson County CASA, Inc. The Trust received rental income of \$25,000 and \$16,959 for the years ended June 30, 2019 and 2018, respectively. Future minimum rentals are as follows:

Years Ending June 30,

2020	\$ 25,000
2021	<u>14,583</u>
	<u>\$ 39,583</u>

The above 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 11—Concentrations of credit risk

The Trust maintains its deposits at financial institutions with accounts insured by the Federal Deposit Insurance Corporation up to \$250,000. The Trust's balances, at times, may exceed federally insured limits. Amounts in excess of federally insured limits at June 30, 2019 and 2018 were approximately \$153,972 and \$85,178, respectively.