



**THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST AND SUBSIDIARY
CONSOLIDATED FINANCIAL REPORT
December 31, 2013**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Corporation for Jefferson's
Poplar Forest and Subsidiary
Forest, Virginia

We have audited the accompanying consolidated financial statements of The Corporation for Jefferson's Poplar Forest and Subsidiary (the "Corporation") which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Corporation for Jefferson's Poplar Forest and Subsidiary as of December 31, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia

June 6, 2014

**THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 269,161	\$ 282,849
Investments (Note 2)	202,776	305,014
Contributions receivable, net of allowance for uncollectible contributions, \$5,000 in 2013 and 2012 (Note 3)	17,417	116,507
Inventory (Note 4)	92,197	98,158
Other assets	74,911	43,545
Total current assets	656,462	846,073
LONG-TERM ASSETS		
Contributions receivable, long-term (Note 3)	8,787	35,118
Property and equipment, net (Notes 5 and 7)	12,327,511	12,528,641
Investments (Note 2)	1,567,969	1,420,254
Deferred financing costs, net	22,170	23,116
Historic collections	215,913	209,713
Total assets	<u>\$ 14,798,812</u>	<u>\$ 15,062,915</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 83,283	\$ 42,407
Line of credit (Note 6)	5,410	-
Current maturities of long-term debt (Note 7)	46,346	31,573
Accrued expenses	102,215	89,222
Total current liabilities	237,254	163,202
LONG-TERM DEBT, net of current maturities (Note 7)	1,564,125	1,449,712
Total liabilities	1,801,379	1,612,914
NET ASSETS		
Unrestricted:		
Current operations	10,913,200	11,359,790
Board-designated (Note 9)	1,453,073	1,311,363
Total unrestricted net assets	12,366,273	12,671,153
Temporarily restricted (Note 8)	473,567	621,355
Permanently restricted (Notes 8 and 9)	157,593	157,493
Total net assets	<u>12,997,433</u>	<u>13,450,001</u>
	<u>\$ 14,798,812</u>	<u>\$ 15,062,915</u>

The Notes to Consolidated Financial Statements
are an integral part of these statements.

**THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2013 and 2012**

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Gifts	\$ 700,937	\$ 199,679	\$ 100	\$ 900,716	\$ 703,393	\$ 461,551	\$ 43,833	\$ 1,208,777
Government grants	60,547	3,000	-	63,547	64,926	-	-	64,926
Change in discount of contributions receivable	-	857	-	857	-	(1,328)	-	(1,328)
Visitation	459,720	-	-	459,720	414,197	-	-	414,197
Rent income (Note 10)	156,323	-	-	156,323	192,865	-	-	192,865
Investment income	18,876	410	-	19,286	31,829	1,482	-	33,311
Net unrealized and realized gains on investments	183,072	6,796	-	189,868	98,259	5,149	-	103,408
Miscellaneous	39,561	-	-	39,561	15,389	-	-	15,389
Loss on sale of property and equipment	(955)	-	-	(955)	(7,955)	-	-	(7,955)
Net assets released from restrictions: Satisfaction of program restrictions	358,530	(358,530)	-	-	400,793	(400,793)	-	-
Total support and revenue	1,976,611	(147,788)	100	1,828,923	1,913,696	66,061	43,833	2,023,590
EXPENSES								
Program:								
Restoration	813,344	-	-	813,344	838,555	-	-	838,555
Visitation/interpretation	836,487	-	-	836,487	734,171	-	-	734,171
Supporting:								
Rental properties	145,960	-	-	145,960	132,085	-	-	132,085
Administrative	143,082	-	-	143,082	239,339	-	-	239,339
Public relations	64,436	-	-	64,436	78,373	-	-	78,373
Fundraising	278,182	-	-	278,182	244,132	-	-	244,132
Total expenses	2,281,491	-	-	2,281,491	2,266,655	-	-	2,266,655
CHANGE IN NET ASSETS	(304,880)	(147,788)	100	(452,568)	(352,959)	66,061	43,833	(243,065)
NET ASSETS								
Beginning	12,671,153	621,355	157,493	13,450,001	13,024,112	555,294	113,660	13,693,066
Ending	\$ 12,366,273	\$ 473,567	\$ 157,593	\$ 12,997,433	\$ 12,671,153	\$ 621,355	\$ 157,493	\$ 13,450,001

The Notes to Consolidated Financial Statements
are an integral part of these statements.

**THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (452,568)	\$ (243,065)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Non-cash gifts	(6,200)	-
Depreciation	272,211	272,905
Amortization	946	552
Loss on sale of property and equipment	955	7,955
Realized and unrealized gains on investments	(189,868)	(103,408)
Contributions restricted for investment in endowment	(100)	(43,833)
Decrease (increase) in:		
Contributions receivable	125,421	(120,603)
Inventory	5,961	23,944
Other assets	(31,366)	18,994
Increase (decrease) in:		
Accounts payable	40,876	1,022
Accrued expenses	(37)	(2,678)
Net cash used in operating activities	<u>(233,769)</u>	<u>(188,215)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	144,491	24,955
Purchase of investments	(100)	(43,000)
Purchase of property and equipment	(59,006)	(207,603)
Net cash provided by (used in) investing activities	<u>85,385</u>	<u>(225,648)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from (payments on) line of credit, net	5,410	(238,000)
Proceeds provided from long-term debt	165,000	585,400
Payments of long-term debt financing fees	-	(23,668)
Principal payments on long-term debt	(35,814)	(31,129)
Contributions restricted for investment in endowment	100	43,833
Net cash provided by financing activities	<u>134,696</u>	<u>336,436</u>
Net decrease in cash and cash equivalents	(13,688)	(77,427)
CASH AND CASH EQUIVALENTS		
Beginning	282,849	360,276
Ending	<u>\$ 269,161</u>	<u>\$ 282,849</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 89,158</u>	<u>\$ 81,194</u>
NONCASH INVESTING ACTIVITY		
Gifts of property, including collections	<u>\$ 6,200</u>	<u>\$ -</u>
Amounts in accrued expenses for property and equipment	<u>\$ 13,030</u>	<u>\$ -</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

**THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013**

Note 1. Summary of Significant Accounting Policies

The mission of The Corporation for Jefferson's Poplar Forest (the "Corporation") is to preserve Thomas Jefferson's personal retreat and to inspire the public to explore his enduring legacy and his belief in the boundless freedom of the human mind. The Corporation solicits individuals, corporations, and foundations for contributions and grants.

The consolidated financial statements of the Corporation have been prepared on the accrual basis. Significant accounting policies are as follows:

Principles of consolidation:

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, Poplar Forest Swim and Tennis Club, Inc. The Swim and Tennis Club was operating on the tract of land immediately west of the Jefferson house prior to 1993 when the Corporation purchased that historic property. All significant intercompany transactions have been eliminated in consolidation.

Estimates:

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could vary from the estimates that were used.

Classification of net assets:

The Corporation's net assets have been grouped into the following three classes:

Unrestricted Net Assets – Unrestricted net assets generally result from revenues derived from providing services, receiving unrestricted contributions, recognizing unrealized and realized gains and losses, and receiving dividends and interest from investing in income-producing assets; less expenses incurred in providing services, raising contributions, and performing administrative functions.

Temporarily Restricted Net Assets – Temporarily restricted net assets generally result from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Corporation pursuant to those stipulations.

Permanently Restricted Net Assets – Permanently restricted net assets generally result from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed stipulations that neither expire nor can be fulfilled or otherwise removed by the Corporation.

**THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013**

Note 1. Summary of Significant Accounting Policies (Continued)

Classification of gifts:

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends and/or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Corporation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expirations of donor restrictions as unrestricted when the donated or acquired long-lived assets are placed in service.

Cash and cash equivalents:

For the purposes of the statement of cash flows, the Corporation considers cash and cash equivalents to include cash on hand and temporary investments purchased with an original maturity of three months or less.

The Foundation maintains deposits in financial institutions that at times exceed amounts covered by the U. S. Federal Deposit Insurance Corporation (FDIC). Management believes no significant risk exists with respect to these deposits.

Investments:

Investments are reported at fair value. Net unrealized and realized gains and losses are reflected in the statements of activities. Gifts of investments are recorded at their fair value as of the date of gift.

Inventory:

Inventory of the Museum Shop is stated at the lower of cost or market on a first-in, first-out basis.

Property and equipment:

Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation, in the case of gifts, less accumulated depreciation. Restoration costs are capitalized and depreciated while repairs and maintenance are charged to expense in the year incurred. The original costs of historic buildings are not depreciated. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

Historic collections:

Works of art, antiques, and historical treasures are recorded at cost, if purchased, or at their fair value at the date of gift. These collections do not include archaeological or architectural artifacts.

(Continued)

**THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013**

Note 1. Summary of Significant Accounting Policies (Continued)

Contributed services:

A substantial number of unpaid volunteers have made significant contributions of their time to the Corporation as docents, laboratory assistants, and administrative assistants. The value of such services has not been determined and is not included in these financial statements.

Allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes:

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation under Section 509(a)(2). The wholly owned subsidiary is subject to federal and state income taxes. The subsidiary has a net operating loss carryforward of approximately \$150,000 with expirations ranging from 2013 to 2033. For deferred tax purposes, a 100% valuation allowance has been recorded against the deferred tax asset. The Corporation's income tax and information returns for 2011 and forward are subject to examination by the Internal Revenue Service.

Fair value measurements:

Certain financial assets and liabilities are measured and reported on a fair value basis. Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The principles establish a fair value hierarchy that prioritizes each input to the valuation method used to measure fair value into one of the following three broad levels:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are either for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs for the asset or liability where there is little, if any, market activity for the asset or liability at the measurement date.

Deferred financing costs:

Deferred financing costs are amortized using the straight-line method, which approximates the effective interest method, over the life of the respective financing arrangement.

(Continued)

**THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013**

Note 1. Summary of Significant Accounting Policies (Continued)

Subsequent events:

Management has evaluated subsequent events through June 6, 2014, the date the financial statements were available to be issued.

Note 2. Investments

Investments are stated at fair value, generally based on quoted prices in active markets (Level 1 inputs, except for corporate bonds and certificates of deposit, which are Level 2 inputs) and consist of the following:

			2013			2012		
			Cost	Fair Value	Unrealized Gains (Losses)	Cost	Fair Value	Unrealized Gains (Losses)
Endowment:								
Equity								
Securities	\$	642,593	\$	865,935	\$ 223,342	\$ 709,111	\$ 805,141	\$ 96,030
Government								
Bonds		106,450		106,592	142	122,010	128,686	6,676
Corporate								
obligations		153,684		154,843	1,159	130,376	132,847	2,471
Mutual funds:								
Equity		195,043		212,129	17,086	70,677	74,369	3,692
Bonds		142,508		136,953	(5,555)	139,248	138,808	(440)
Commodities		5,029		5,976	947	64,992	61,596	(3,396)
Certificates of								
deposit		43,081		43,166	85	43,081	43,223	142
Short-term								
investments		42,375		42,375	-	35,584	35,584	-
		<u>1,330,763</u>		<u>1,567,969</u>	<u>237,206</u>	<u>1,315,079</u>	<u>1,420,254</u>	<u>105,175</u>
Other								
investments:								
Certificates of								
deposit		200,000		200,283	283	300,000	301,127	1,127
Short-term								
investments		2,493		2,493	-	3,887	3,887	-
		<u>202,493</u>		<u>202,776</u>	<u>283</u>	<u>303,887</u>	<u>305,014</u>	<u>1,127</u>
	\$	<u>1,533,256</u>	\$	<u>1,770,745</u>	<u>\$ 237,489</u>	<u>\$ 1,618,966</u>	<u>\$ 1,725,268</u>	<u>\$ 106,302</u>

Investment fees of \$11,882 and \$11,709 were paid in 2013 and 2012, respectively. Short-term investments are primarily invested in liquid investments with a securities company.

(Continued)

**THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013**

Note 3. Contributions Receivable

Contributions receivable are due as follows:

	2013	2012
Less than one year	\$ 22,573	\$ 122,210
One to five years	9,200	35,840
	31,773	158,050
Allowance for uncollectible contributions	(5,000)	(5,000)
Discount calculated at 2% for 2013 and 1% for 2012	(569)	(1,425)
	<u>\$ 26,204</u>	<u>\$ 151,625</u>
Contributions receivable, current portion	\$ 17,417	\$ 116,507
Contributions receivable, long-term	8,787	35,118
Total contributions receivable, net	<u>\$ 26,204</u>	<u>\$ 151,625</u>

The Corporation has received other promises to give which are not recorded as receivables until certain expenses are incurred or matching contributions are received. These conditional promises consist of eight grants with original awards totaling \$642,253. The conditional portion of these grants remaining at December 31, 2013 totaled \$147,425.

Note 4. Inventory

Inventory consists of the following:

	2013	2012
Gift shop	\$ 30,595	\$ 32,769
Publications	61,602	65,389
	<u>\$ 92,197</u>	<u>\$ 98,158</u>

Note 5. Property and Equipment

Property and equipment consists of the following:

	2013	2012
Land improvements	\$ 588,682	\$ 588,682
Buildings	8,866,640	8,713,766
Furniture, fixtures, and equipment	585,291	638,291
Vehicles	24,204	24,204
	10,064,817	9,964,943
Less accumulated depreciation	<u>(4,239,928)</u>	<u>(4,036,475)</u>
	5,824,889	5,928,468
Land	5,676,899	5,676,899
Historical buildings	800,000	800,000
Construction in progress	25,723	123,274
	<u>\$ 12,327,511</u>	<u>\$ 12,528,641</u>

(Continued)

**THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013**

Note 6. Line of Credit

The Corporation has a revolving bank line of credit which provides for short-term borrowings up to \$500,000 at an interest rate of Prime, subject to a minimum rate of 5.00%. This line, as well as the 2012 and 2013 notes payable, is subject to a credit agreement such that the debt is secured by the Corporation's properties, assignment of all rents of the Corporation's properties, and a negative pledge agreement. Covenants include a requirement that the Corporation hold marketable securities of at least \$1,200,000. The line is subject to review at July 28, 2014. Interest expense on the line totaled \$11,502 and \$15,396 in 2013 and 2012, respectively.

Note 7. Long-Term Debt

Long-term debt consists of the following:

	<u>Final Maturity</u>	<u>2013</u>	<u>2012</u>
Note payable, bank, issued in 2012, 5.0% for three years then variable, payable \$8,833 monthly including principal and interest, collateralized by certain real property, subject to various covenants described in Note 6.	2037	\$ 1,450,720	\$ 1,481,285
Note payable, bank, issued in 2013, 5.25% for five years then variable, payable \$1,777 monthly including principal and interest, collateralized by certain real property, subject to various covenants described in Note 6.	2023	159,751	-
		1,610,471	1,481,285
Less current maturities		(46,346)	(31,573)
		<u>\$ 1,564,125</u>	<u>\$ 1,449,712</u>

Aggregate principal payments are scheduled as follows:

2014	\$ 46,346
2015	48,900
2016	51,265
2017	54,152
2018	56,991
2019 & beyond	1,352,817
	<u>\$ 1,610,471</u>

(Continued)

**THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013**

Note 8. Net Assets

Temporarily restricted net assets consist of the following:

	<u>2013</u>	<u>2012</u>
Historical preservation and restoration	\$ 295,735	\$ 273,121
Archaeological research and interpretation	113,435	229,543
Visitor services	3,177	109,882
Capital initiatives	34,598	-
Educational initiatives	2,750	4,937
Time restrictions	23,872	3,872
	<u>\$ 473,567</u>	<u>\$ 621,355</u>

Permanently restricted net assets consist of the following:

	<u>2013</u>	<u>2012</u>
Endowment investments	\$ 107,593	\$ 107,493
Antique tool collection held in perpetuity	50,000	50,000
	<u>\$ 157,593</u>	<u>\$ 157,493</u>

Note 9. Endowment

The Corporation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law:

The Corporation holds institutional funds which are subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Corporation's Board of Trustees has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets a) the original value of gifts donated to the permanent endowment, b) the original value of subsequent gifts to the permanent endowment, and c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA.

(Continued)

**THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013**

Note 9. Endowment (Continued)

Interpretation of relevant law: (Continued)

In accordance with UPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund
2. The purposes of the Corporation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Corporation
7. The investment policies of the Corporation

Return objectives and risk parameters:

The Corporation has adopted investment and spending policies for the endowment fund that attempt to preserve and increase the real (inflation-adjusted) value of the fund and to provide a predictable and increasing distribution to carry out the purpose of the fund. Under these policies, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that outperform inflation by three percentage points each year. The Corporation expects its endowment funds, over time, to provide a total rate of return that exceeds the median of a generally accepted universe of similar funds.

Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Corporation 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 Corporation targets a diversified asset allocation that places a greater emphasis on equity-based instruments to achieve its long-term return objectives within prudent risk constraints.

Spending policy:

The Corporation has a policy of appropriating annual distributions from the endowment fund equal to 4.5% of the average of the market value of the fund on June 30 in each of the three preceding years.

(Continued)

**THE CORPORATION FOR JEFFERSON'S
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013**

Note 9. Endowment (Continued)

Endowment composition by net asset classification:

December 31, 2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 7,303	\$ 107,593	\$ 114,896
Board-designated	1,453,073	-	-	1,453,073
	<u>\$ 1,453,073</u>	<u>\$ 7,303</u>	<u>\$ 107,593</u>	<u>\$ 1,567,969</u>
December 31, 2012				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 1,398	\$ 107,493	\$ 108,891
Board-designated	1,311,363	-	-	1,311,363
	<u>\$ 1,311,363</u>	<u>\$ 1,398</u>	<u>\$ 107,493</u>	<u>\$ 1,420,254</u>

(Continued)

**THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013**

Note 9. Endowment (Continued)

Changes in endowment composition by net asset classification:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2012	\$ 1,237,724	\$ -	\$ 63,660	\$ 1,301,384
Gifts	-	-	43,833	43,833
Investment returns:				
Investment income	28,149	1,482	-	29,631
Net gains (realized and unrealized)	97,822	5,148	-	102,970
Total investment return	125,971	6,630	-	132,601
Appropriation of endowment assets for expenditure	(54,686)	(2,878)	-	(57,564)
Net assets reclassified to underwater funds	2,354	(2,354)	-	-
Endowment net assets, December 31, 2012	1,311,363	1,398	107,493	1,420,254
Gifts	-	-	100	100
Investment returns:				
Investment income	15,575	649	-	16,224
Net gains (realized and unrealized)	183,371	7,640	-	191,011
Total investment return	198,946	8,289	-	207,235
Appropriation of endowment assets for expenditure	(57,236)	(2,384)	-	(59,620)
Endowment net assets, December 31, 2013	<u>\$ 1,453,073</u>	<u>\$ 7,303</u>	<u>\$ 107,593</u>	<u>\$ 1,567,969</u>

(Continued)

**THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013**

Note 10. Rental Property Revenue

As lessor, the Corporation leases a golf course which comprises a portion of its real property. In 2013 the lease was amended to reduce the rent from \$5,000 to \$3,500 per month. The lease terminates January 31, 2018. The Corporation recognized \$42,000 and \$63,000 of revenue from the golf course lease in 2013 and 2012, respectively.

2014	\$	42,000
2015		42,000
2016		42,000
2017		42,000
2018		3,500
		<hr/>
	\$	171,500
		<hr/>

In addition, the Corporation leases certain other property on an annual basis for which revenue for 2013 and 2012 amounted to \$112,773 and \$129,865, respectively. The net investment in rental land and buildings, which are included in property and equipment, is as follows:

	<u>2013</u>	<u>2012</u>
Golf course – land and buildings, at cost	\$ 580,823	\$ 580,823
Swim and tennis club facility, at cost	327,277	327,277
Other property, at cost	1,547,413	1,542,613
Less accumulated depreciation	<u>(939,600)</u>	<u>(891,124)</u>
Net investment in rental properties	<u>\$ 1,515,913</u>	<u>\$ 1,559,589</u>

Note 11. Purchase Options

The Corporation has options to purchase surrounding properties in an effort to preserve significant sites as part of a long-range plan. Outstanding options allow the Corporation to have first refusal on properties as they are offered for sale at predetermined prices or terms of negotiation.

Note 12. Employee Benefits

The Corporation has a 401(k) retirement plan, which covers substantially all full-time employees. Under the plan, participating employees may elect to reduce their compensation by an amount up to the maximum limitation in the Internal Revenue Code, with such amount being contributed to the plan for their benefit. Additionally, the Corporation may contribute an amount determined annually by its Board of Directors.

The Corporation's share of contributions to the plan totaled \$56,431 and \$69,795 for 2013 and 2012, respectively.

(Continued)

**THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013**

Note 13. Natural Expenses

Functional expenses are composed of the following natural expenses:

	<u>2013</u>	<u>2012</u>
Compensation and benefits	\$ 1,110,554	\$ 1,106,551
Utilities, maintenance, and depreciation	387,479	403,866
Taxes and insurance	101,152	92,315
Postage, printing, and supplies	88,445	79,673
Cost of retail sales	76,969	90,602
Other	<u>516,892</u>	<u>493,648</u>
Total operating expenses	<u>\$ 2,281,491</u>	<u>\$ 2,266,655</u>

Note 14. Subsequent Event

During 2013 the Board of Directors approved dissolving the wholly owned subsidiary, Poplar Forest Swim and Tennis Club, Inc. The Corporation will acquire all outstanding assets and liabilities of the subsidiary. The dissolution was finalized as of the date the financial statements were issued.

Note 15. Capital Campaign Expenses

During 2013, the Corporation initiated a capital campaign; in addition, the Corporation incurred expenses of approximately \$60,000 related to the feasibility and implementation of the campaign.



**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL DATA**

To the Board of Directors of
The Corporation for Jefferson's
Poplar Forest and Subsidiary
Forest, Virginia

We have audited the consolidated financial statements of The Corporation for Jefferson's Poplar Forest and Subsidiary as of and for the year ended December 31, 2013, and have issued our report thereon dated June 6, 2014, which contained an unqualified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities on the following pages are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
June 6, 2014

**THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2013**

	Not-for- Profit Organization	For Profit Organization	Eliminating Entries	Consolidated Balance
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 269,055	\$ 106	\$ -	\$ 269,161
Investments	202,776	-	-	202,776
Contributions receivable, net	17,417	-	-	17,417
Inventory	92,197	-	-	92,197
Other assets	172,250	1,393	(98,732)	74,911
Total current assets	753,695	1,499	(98,732)	656,462
LONG-TERM ASSETS				
Contributions receivable, long-term	8,787	-	-	8,787
Property and equipment, net	12,191,157	136,354	-	12,327,511
Investments	1,567,969	-	-	1,567,969
Deferred loan costs, net	22,170	-	-	22,170
Historic collections	215,913	-	-	215,913
Investment in subsidiary	243,315	-	(243,315)	-
Total assets	<u>\$ 15,003,006</u>	<u>\$ 137,853</u>	<u>\$ (342,047)</u>	<u>\$ 14,798,812</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 83,283	\$ -	\$ -	\$ 83,283
Line of credit	5,410	-	-	5,410
Current maturities of long-term debt	46,346	-	-	46,346
Accrued expenses	102,215	-	-	102,215
Due to not-for-profit organization	-	98,732	(98,732)	-
Total current liabilities	237,254	98,732	(98,732)	237,254
LONG-TERM DEBT, net of current maturities				
	1,564,125	-	-	1,564,125
Total liabilities	<u>1,801,379</u>	<u>98,732</u>	<u>(98,732)</u>	<u>1,801,379</u>
NET ASSETS				
Unrestricted:				
Current operations	11,117,394	39,121	(243,315)	10,913,200
Board-designated	1,453,073	-	-	1,453,073
Total unrestricted net assets	12,570,467	39,121	(243,315)	12,366,273
Temporarily restricted	473,567	-	-	473,567
Permanently restricted	157,593	-	-	157,593
Total net assets	<u>13,201,627</u>	<u>39,121</u>	<u>(243,315)</u>	<u>12,997,433</u>
	<u>\$ 15,003,006</u>	<u>\$ 137,853</u>	<u>\$ (342,047)</u>	<u>\$ 14,798,812</u>

**THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended December 31, 2013**

	<u>Not-for- Profit Organization</u>	<u>For Profit Organization</u>	<u>Eliminating Entries</u>	<u>Consolidated Balance</u>
SUPPORT AND REVENUE				
Gifts	\$ 900,716	\$ -	\$ -	\$ 900,716
Government grants	63,547	-	-	63,547
Change in discount of contributions receivable	857	-	-	857
Visitation	459,720	-	-	459,720
Rent income	156,323	-	-	156,323
Investment income	19,286	-	-	19,286
Net unrealized and realized gains on investments	189,868	-	-	189,868
Miscellaneous	39,203	358	-	39,561
Loss on sale of property and equipment	(955)	-	-	(955)
	<u>1,828,565</u>	<u>358</u>	<u>-</u>	<u>1,828,923</u>
EXPENSES				
Program:				
Restoration	813,344	-	-	813,344
Visitation/interpretation	836,487	-	-	836,487
Supporting:				
Rental properties	132,264	13,696	-	145,960
Administrative	143,082	-	-	143,082
Public relations	64,436	-	-	64,436
Fundraising	278,182	-	-	278,182
	<u>2,267,795</u>	<u>13,696</u>	<u>-</u>	<u>2,281,491</u>
CHANGE IN NET ASSETS	(439,230)	(13,338)	-	(452,568)
NET ASSETS				
Beginning	<u>13,640,858</u>	<u>52,458</u>	<u>(243,315)</u>	<u>13,450,001</u>
Ending	<u><u>\$ 13,201,628</u></u>	<u><u>\$ 39,120</u></u>	<u><u>\$ (243,315)</u></u>	<u><u>\$ 12,997,433</u></u>