



**THE CORPORATION FOR JEFFERSON'S
POPLAR FOREST AND SUBSIDIARY
CONSOLIDATED FINANCIAL REPORT
December 31, 2014**

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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, 2014 and 2013, 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, 2014 and 2013, 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 18, 2015

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,019,299	\$ 269,161
Investments (Note 2)	-	202,776
Contributions receivable, net (Note 3)	683,559	17,417
Inventory (Note 4)	83,369	92,197
Other assets	57,082	74,911
Total current assets	1,843,309	656,462
LONG-TERM ASSETS		
Contributions receivable, long-term, net (Note 3)	790,891	8,787
Property and equipment, net (Notes 5 and 7)	12,167,485	12,327,511
Investments (Note 2)	1,560,544	1,567,969
Deferred financing costs, net	21,223	22,170
Historic collections	215,913	215,913
Total assets	<u>\$ 16,599,365</u>	<u>\$ 14,798,812</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 57,011	\$ 83,283
Line of credit (Note 6)	307,543	5,410
Current maturities of long-term debt (Note 7)	48,798	46,346
Accrued expenses	72,694	102,215
Total current liabilities	486,046	237,254
LONG-TERM DEBT, net of current maturities (Note 7)	1,515,322	1,564,125
Total liabilities	2,001,368	1,801,379
NET ASSETS		
Unrestricted:		
Current operations	10,871,274	10,913,200
Board-designated (Note 9)	1,445,945	1,453,073
Total unrestricted net assets	12,317,219	12,366,273
Temporarily restricted (Notes 8 and 9)	2,123,185	473,567
Permanently restricted (Notes 8 and 9)	157,593	157,593
Total net assets	<u>14,597,997</u>	<u>12,997,433</u>
	<u>\$ 16,599,365</u>	<u>\$ 14,798,812</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, 2014 and 2013**

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Gifts	\$ 994,425	\$ 2,336,841	\$ -	\$ 3,331,266	\$ 700,937	\$ 200,536	\$ 100	\$ 901,573
Government grants	50,172	-	-	50,172	60,547	3,000	-	63,547
Visitation	424,412	-	-	424,412	459,720	-	-	459,720
Rent income (Note 10)	166,042	-	-	166,042	156,323	-	-	156,323
Investment income	23,783	385	-	24,168	18,876	410	-	19,286
Net unrealized and realized gains on investments	30,076	1,292	-	31,368	183,072	6,796	-	189,868
Miscellaneous	15,857	-	-	15,857	39,561	-	-	39,561
Loss on sale of property and equipment	(55,357)	-	-	(55,357)	(955)	-	-	(955)
Net assets released from restrictions:	688,900	(688,900)	-	-	358,530	(358,530)	-	-
Total support and revenue	2,338,310	1,649,618	-	3,987,928	1,976,611	(147,788)	100	1,828,923
EXPENSES								
Program:								
Restoration	793,490	-	-	793,490	813,344	-	-	813,344
Visitation/interpretation	822,531	-	-	822,531	836,487	-	-	836,487
Supporting:								
Rental properties	145,236	-	-	145,236	145,960	-	-	145,960
Administrative	174,706	-	-	174,706	143,082	-	-	143,082
Public relations	94,953	-	-	94,953	64,436	-	-	64,436
Fundraising	356,448	-	-	356,448	278,182	-	-	278,182
Total expenses	2,387,364	-	-	2,387,364	2,281,491	-	-	2,281,491
CHANGE IN NET ASSETS	(49,054)	1,649,618	-	1,600,564	(304,880)	(147,788)	100	(452,568)
NET ASSETS								
Beginning	12,366,273	473,567	157,593	12,997,433	12,671,153	621,355	157,493	13,450,001
Ending	<u>\$ 12,317,219</u>	<u>\$ 2,123,185</u>	<u>\$ 157,593</u>	<u>\$ 14,597,997</u>	<u>\$ 12,366,273</u>	<u>\$ 473,567</u>	<u>\$ 157,593</u>	<u>\$ 12,997,433</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 CASH FLOWS
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 1,600,564	\$ (452,568)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Non-cash gifts	(2,500)	(6,200)
Depreciation	277,766	272,211
Amortization	947	946
Loss on disposal of property and equipment	55,357	955
Realized and unrealized gains on investments	(31,368)	(189,868)
Contributions restricted for capital projects and endowment	(378,043)	(100)
Decrease (increase) in:		
Contributions receivable	(1,448,246)	125,421
Inventory	8,828	5,961
Other assets	17,829	(31,366)
Increase (decrease) in:		
Accounts payable	(33,366)	40,876
Accrued expenses	(16,491)	(37)
Net cash provided by (used in) operating activities	<u>51,277</u>	<u>(233,769)</u>
INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	241,569	144,491
Purchase of investments	-	(100)
Purchase of property and equipment	(176,533)	(59,006)
Net cash provided by investing activities	<u>65,036</u>	<u>85,385</u>
FINANCING ACTIVITIES		
Borrowings from line of credit, net	302,133	5,410
Proceeds provided from long-term debt	-	165,000
Principal payments on long-term debt	(46,351)	(35,814)
Contributions restricted for capital projects and endowment	378,043	100
Net cash provided by financing activities	<u>633,825</u>	<u>134,696</u>
Net increase (decrease) in cash and cash equivalents	750,138	(13,688)
CASH AND CASH EQUIVALENTS		
Beginning	269,161	282,849
Ending	<u>\$ 1,019,299</u>	<u>\$ 269,161</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	<u>\$ 90,162</u>	<u>\$ 89,158</u>
NONCASH INVESTING ACTIVITY		
Gifts of property, including collections	<u>\$ 2,500</u>	<u>\$ 6,200</u>
Amounts in current liabilities for property and equipment	<u>\$ 7,094</u>	<u>\$ 13,030</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, 2014**

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.

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. Poplar Forest Swim and Tennis Club, Inc. was dissolved in July 2014 and its assets transferred to the Corporation. All significant intercompany transactions have been eliminated.

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.

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, 2014**

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:

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 Corporation 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.

Advertising costs:

The Corporation expenses advertising costs as incurred. Total advertising costs were approximately \$127,000 and \$81,000 in 2014 and 2013, respectively.

(Continued)

**THE CORPORATION FOR JEFFERSON'S
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014**

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 Corporation is subject to income taxes on profits generated from the rental of debt-financed real property. The Corporation has net operating loss carryforwards totaling approximately \$208,000, with expirations ranging from 2023 to 2033. A 100% valuation allowance has been recorded against this deferred tax asset because it is uncertain that the loss carryforward represents a future tax benefit. Poplar Forest Swim and Tennis Club, Inc. was subject to federal and state income taxes during the years of operation. 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, 2014**

Note 1. Summary of Significant Accounting Policies (Continued)

Subsequent events:

Management has evaluated subsequent events through June 18, 2015, 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:

	2014			2013		
	Cost	Fair Value	Unrealized Gains (Losses)	Cost	Fair Value	Unrealized Gains (Losses)
Endowment:						
Equity securities	\$ 607,289	\$ 812,774	\$ 205,485	\$ 642,593	\$ 865,935	\$ 223,342
Government bonds	115,976	119,901	3,925	106,450	106,592	142
Corporate obligations	169,090	172,161	3,071	153,684	154,843	1,159
Mutual funds:						
Equity	209,066	202,039	(7,027)	195,043	212,129	17,086
Bonds	155,642	146,232	(9,410)	142,508	136,953	(5,555)
Commodities	4,900	4,950	50	5,029	5,976	947
Certificates of deposit	43,000	43,128	128	43,081	43,166	85
Short-term investments	59,359	59,359	-	42,375	42,375	-
	<u>1,364,322</u>	<u>1,560,544</u>	<u>196,222</u>	<u>1,330,763</u>	<u>1,567,969</u>	<u>237,206</u>
Other investments:						
Certificates of deposit	-	-	-	200,000	200,283	283
Short-term investments	-	-	-	2,493	2,493	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,493</u>	<u>202,776</u>	<u>283</u>
	<u>\$ 1,364,322</u>	<u>\$ 1,560,544</u>	<u>\$ 196,222</u>	<u>\$ 1,533,256</u>	<u>\$ 1,770,745</u>	<u>\$ 237,489</u>

Investment fees of \$13,356 and \$11,882 were paid in 2014 and 2013, respectively.

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014**

Note 3. Contributions Receivable

Contributions receivable are due as follows:

	<u>2014</u>	<u>2013</u>
Less than one year	\$ 705,559	\$ 22,573
One to five years	<u>841,264</u>	<u>9,200</u>
	1,546,823	31,773
Allowance for uncollectible contributions	(43,000)	(5,000)
Discount calculated at 2.00% for 2014 and 2013	<u>(29,373)</u>	<u>(569)</u>
	<u>\$ 1,474,450</u>	<u>\$ 26,204</u>
Contributions receivable, current portion	\$ 683,559	\$ 17,417
Contributions receivable, long-term	<u>790,891</u>	<u>8,787</u>
Total contributions receivable, net	<u>\$ 1,474,450</u>	<u>\$ 26,204</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 three grants with original awards totaling \$426,524. The conditional portion of these grants remaining at December 31, 2014 totaled \$191,221.

Note 4. Inventory

Inventory consists of the following:

	<u>2014</u>	<u>2013</u>
Gift shop	\$ 29,666	\$ 30,595
Publications	<u>53,703</u>	<u>61,602</u>
	<u>\$ 83,369</u>	<u>\$ 92,197</u>

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014**

Note 5. Property and Equipment

Property and equipment consists of the following:

	<u>2014</u>	<u>2013</u>
Land improvements	\$ 424,135	\$ 588,682
Buildings	8,892,533	8,866,640
Furniture, fixtures, and equipment	607,218	585,291
Vehicles	<u>26,704</u>	<u>24,204</u>
	9,950,590	10,064,817
Less accumulated depreciation	<u>(4,323,006)</u>	<u>(4,239,928)</u>
	5,627,584	5,824,889
Land	5,667,799	5,676,899
Historical buildings	800,000	800,000
Construction in progress	<u>72,102</u>	<u>25,723</u>
	<u><u>\$ 12,167,485</u></u>	<u><u>\$ 12,327,511</u></u>

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 4.00%. 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, 2015. Interest expense on the line totaled \$9,961 and \$11,502 in 2014 and 2013, respectively.

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014**

Note 7. Long-Term Debt

Long-term debt consists of the following:

	<u>Final Maturity</u>	<u>2014</u>	<u>2013</u>
Note payable, bank, issued in 2012, 5.00% 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	\$ 1,417,506	\$ 1,450,720
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	<u>146,614</u>	<u>159,751</u>
		1,564,120	1,610,471
Less current maturities		<u>(48,798)</u>	<u>(46,346)</u>
		<u><u>\$ 1,515,322</u></u>	<u><u>\$ 1,564,125</u></u>

Aggregate principal payments are scheduled as follows:

2015	\$ 48,798
2016	51,149
2017	54,060
2018	56,906
2019	59,902
2020 & beyond	<u>1,293,305</u>
	<u><u>\$ 1,564,120</u></u>

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014**

Note 8. Net Assets

Temporarily restricted net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Historical preservation and restoration	\$ 294,927	\$ 295,735
Archaeological research and interpretation	39,346	113,435
Visitor services	3,177	3,177
Capital initiatives	634,553	34,598
Educational initiatives	33,564	2,750
Time restrictions	<u>1,117,618</u>	<u>23,872</u>
	<u>\$ 2,123,185</u>	<u>\$ 473,567</u>

Permanently restricted net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Endowment investments	\$ 107,593	\$ 107,593
Antique tool collection held in perpetuity	<u>50,000</u>	<u>50,000</u>
	<u>\$ 157,593</u>	<u>\$ 157,593</u>

Note 9. Endowment

The Corporation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. 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.

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 Directors 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, 2014**

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 4.50% 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, 2014**

Note 9. Endowment (Continued)

Endowment composition by net asset classification:

December 31, 2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 7,006	\$ 107,593	\$ 114,599
Board-designated	1,445,945	-	-	1,445,945
	<u>\$ 1,445,945</u>	<u>\$ 7,006</u>	<u>\$ 107,593</u>	<u>\$ 1,560,544</u>
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>

(Continued)

**THE CORPORATION FOR JEFFERSON'S
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014**

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, 2013	\$ 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	1,453,073	7,303	107,593	1,567,969
Investment returns:				
Investment income	21,078	878	-	21,956
Net gains (realized and unrealized)	31,007	1,292	-	32,299
Total investment return	52,085	2,170	-	54,255
Appropriation of endowment assets for expenditure	(59,213)	(2,467)	-	(61,680)
Endowment net assets, December 31, 2014	<u>\$ 1,445,945</u>	<u>\$ 7,006</u>	<u>\$ 107,593</u>	<u>\$ 1,560,544</u>

(Continued)

**THE CORPORATION FOR JEFFERSON'S
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 10. Rental Property Revenue

As lessor, the Corporation leases a golf course which comprises a portion of its real property for \$3,500 per month. The lease terminates January 31, 2018. The Corporation recognized \$42,000 of revenue from the golf course lease in both 2014 and 2013. Future minimum lease income is as follows:

2015	\$	42,000
2016		42,000
2017		42,000
2018		3,500
		<hr/>
	\$	<u>129,500</u>

In addition, the Corporation leases certain other property on an annual basis for which revenue for 2014 and 2013 amounted to \$124,042 and \$112,773, respectively. The net investment in rental land and buildings, which are included in property and equipment, is as follows:

	<u>2014</u>	<u>2013</u>
Golf course – land and buildings, at cost	\$ 580,823	\$ 580,823
Swim and tennis club facility, at cost	-	327,277
Other property, at cost	1,555,212	1,547,413
Less accumulated depreciation	<u>(797,349)</u>	<u>(939,600)</u>
Net investment in rental properties	<u>\$ 1,338,686</u>	<u>\$ 1,515,913</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 \$52,169 and \$56,431 for 2014 and 2013, respectively.

(Continued)

**THE CORPORATION FOR JEFFERSON'S
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 13. Natural Expenses

Functional expenses are composed of the following natural expenses:

	<u>2014</u>	<u>2013</u>
Compensation and benefits	\$ 1,021,108	\$ 1,110,554
Utilities, maintenance, and depreciation	409,922	387,479
Professional fees	405,638	207,201
Advertising	127,359	81,033
Taxes and insurance	105,478	101,152
Interest	90,162	89,158
Postage, printing, and supplies	84,439	88,445
Cost of retail sales	79,483	76,969
Other	<u>63,775</u>	<u>139,500</u>
Total operating expenses	<u>\$ 2,387,364</u>	<u>\$ 2,281,491</u>

Note 14. Capital Campaign Expenses

During 2013 the Corporation initiated a capital campaign that remained active as of December 31, 2014, at which time approximately \$1,150,000 in cash contributions had been received. The Corporation committed approximately \$429,000 and \$60,000 in 2014 and 2013, respectively, to the stated purpose of the campaign, including new parkway/entrance, education, marketing, and operating reserve, as well as fundraising expenses.