



THOMAS JEFFERSON'S  
*Poplar Forest*

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

**FINANCIAL REPORT**

**December 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The Corporation for Jefferson's Poplar Forest (the "Corporation"), (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 entity'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 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 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 Corporation for Jefferson's Poplar Forest as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2018 The Corporation for Jefferson's Poplar Forest adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
June 18, 2019

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

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 755,250	\$ 718,243
Contributions receivable, net (Notes 3 and 14)	401,018	749,451
Inventory (Note 5)	65,372	66,598
Other assets	<u>68,237</u>	<u>41,146</u>
Total current assets	1,289,877	1,575,438
<b>LONG-TERM ASSETS</b>		
Cash and cash equivalents, restricted for capital projects	1,634,371	1,079,671
Contributions receivable, long-term, net (Notes 3 and 14)	559,663	960,402
Property and equipment, net (Notes 6 and 8)	12,043,304	12,039,286
Investments (Notes 4 and 14)	1,506,163	1,648,348
Historic collections	<u>260,372</u>	<u>240,372</u>
Total assets	<u>\$ 17,293,750</u>	<u>\$ 17,543,517</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 55,355	\$ 29,219
Line of credit (Note 7)	-	287,308
Current maturities of long-term debt (Note 8)	55,505	55,929
Accrued expenses	<u>69,558</u>	<u>81,564</u>
Total current liabilities	180,418	454,020
LONG-TERM DEBT, net of current maturities and unamortized deferred loan costs (Note 8)	<u>1,913,543</u>	<u>1,335,720</u>
Total liabilities	<u>2,093,961</u>	<u>1,789,740</u>
<b>NET ASSETS</b>		
Net assets without donor restrictions (Notes 9 and 10)		
Undesignated	10,963,285	11,188,271
Designated by the Board (Note 10)	<u>1,393,740</u>	<u>1,530,237</u>
	12,357,025	12,718,508
Net assets with donor restrictions (Notes 9 and 10)	<u>2,842,764</u>	<u>3,035,269</u>
Total net assets	<u>15,199,789</u>	<u>15,753,777</u>
	<u>\$ 17,293,750</u>	<u>\$ 17,543,517</u>

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

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

**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2018 and 2017**

	2018			2017		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Gifts	\$ 608,351	\$ 541,793	\$ 1,150,144	\$ 723,113	\$ 1,219,320	\$ 1,942,433
Government grants	8,500	50,000	58,500	10,000	31,890	41,890
Visitation	485,921	-	485,921	481,642	-	481,642
Rent income (Note 11)	179,503	-	179,503	185,743	-	185,743
Investment income	25,811	(1,982)	23,829	17,606	(2,132)	15,474
Net unrealized and realized gains on investments	(77,751)	(3,705)	(81,456)	203,541	8,594	212,135
Miscellaneous	14,474	-	14,474	20,245	-	20,245
Loss on disposal of property and equipment	(2,215)	-	(2,215)	(54,187)	-	(54,187)
Net assets released from restrictions	778,611	(778,611)	-	920,442	(920,442)	-
<b>Total support and revenue</b>	<b>2,021,205</b>	<b>(192,505)</b>	<b>1,828,700</b>	<b>2,508,145</b>	<b>337,230</b>	<b>2,845,375</b>
<b>EXPENSES</b>						
Program:						
Restoration	853,690	-	853,690	836,620	-	836,620
Visitation/interpretation	817,111	-	817,111	782,473	-	782,473
Supporting:						
Rental properties	148,790	-	148,790	137,504	-	137,504
Administrative	194,119	-	194,119	180,915	-	180,915
Public relations	105,520	-	105,520	103,478	-	103,478
Fundraising	263,458	-	263,458	253,051	-	253,051
<b>Total expenses</b>	<b>2,382,688</b>	<b>-</b>	<b>2,382,688</b>	<b>2,294,041</b>	<b>-</b>	<b>2,294,041</b>
<b>CHANGE IN NET ASSETS</b>	<b>(361,483)</b>	<b>(192,505)</b>	<b>(553,988)</b>	<b>214,104</b>	<b>337,230</b>	<b>551,334</b>
<b>NET ASSETS</b>						
Beginning	12,718,508	3,035,269	15,753,777	12,504,404	2,698,039	15,202,443
Ending	\$ 12,357,025	\$ 2,842,764	\$ 15,199,789	\$ 12,718,508	\$ 3,035,269	\$ 15,753,777

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

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2018**

	<b>Program</b>		<b>Supporting</b>				<b>Total</b>
	<b>Restoration</b>	<b>Visitation/ Interpretation</b>	<b>Rental Properties</b>	<b>Administrative</b>	<b>Public Relations</b>	<b>Fundraising</b>	
Salaries and benefits	\$ 519,119	\$ 339,825	\$ 18,509	\$ 93,366	\$ 13,882	\$ 181,956	\$ 1,166,657
Depreciation	176,587	43,812	51,690	27,425	220	1,988	301,722
Utilities	15,776	11,381	1,203	7,704	-	1,829	37,893
Repairs and maintenance	15,956	22,281	13,240	10,629	29	7,988	70,123
Professional fees	4,739	33,802	16,906	20,704	86,769	1,351	164,271
Advertising	-	148,021	-	733	-	-	148,754
Taxes and insurance	11,825	5,915	10,086	-	-	-	27,826
Interest	47,286	23,643	19,844	5,655	-	-	96,428
Postage, printing, and supplies	10,070	30,101	-	2,212	131	21,750	64,264
Cost of retail sales	-	63,175	-	-	-	-	63,175
Travel and entertainment	12,741	18,054	2,131	3,433	1,366	32,509	70,234
Rental	3,839	40,010	9,854	1,221	35	531	55,490
Miscellaneous	624	9,073	-	1,247	4	316	11,264
Fees	523	10,173	-	851	-	3,274	14,821
Educational material	14,338	928	-	387	-	-	15,653
Dues and subscriptions	553	4,027	-	380	137	2,120	7,217
Meetings	-	657	-	1,857	2,480	50	5,044
Professional development	2,436	1,611	-	188	-	779	5,014
Insurance	17,278	10,622	5,327	16,127	467	7,017	56,838
<b>Total functional expenses</b>	<b>\$ 853,690</b>	<b>\$ 817,111</b>	<b>\$ 148,790</b>	<b>\$ 194,119</b>	<b>\$ 105,520</b>	<b>\$ 263,458</b>	<b>\$ 2,382,688</b>

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

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2017**

	<b>Program</b>		<b>Supporting</b>				<b>Total</b>
	<b>Restoration</b>	<b>Visitation/ Interpretation</b>	<b>Rental Properties</b>	<b>Administrative</b>	<b>Public Relations</b>	<b>Fundraising</b>	
Salaries and benefits	\$ 464,115	\$ 346,827	\$ 17,950	\$ 90,745	\$ 13,463	\$ 176,800	\$ 1,109,900
Depreciation	167,474	32,903	50,603	15,567	221	520	267,288
Utilities	16,010	11,331	507	7,172	42	1,934	36,996
Repairs and maintenance	36,363	20,015	23,844	7,502	41	7,696	95,461
Professional fees	30,463	26,441	310	29,935	88,177	7,803	183,129
Advertising	-	113,487	-	548	-	-	114,035
Taxes and insurance	23,086	11,547	10,086	-	-	-	44,719
Interest	47,286	23,643	17,483	(1,446)	-	-	86,966
Postage, printing, and supplies	12,029	25,774	-	5,782	6	22,780	66,371
Cost of retail sales	-	72,276	-	-	-	-	72,276
Travel and entertainment	3,545	21,454	-	4,063	724	21,730	51,516
Rental	4,801	35,002	11,311	1,463	34	712	53,323
Miscellaneous	812	13,137	-	1,527	290	15	15,781
Fees	245	12,908	-	619	-	2,603	16,375
Educational material	11,507	552	-	74	-	-	12,133
Dues and subscriptions	649	3,745	-	493	7	3,070	7,964
Meetings	266	38	-	869	-	380	1,553
Professional development	2,496	25	-	-	-	-	2,521
Insurance	15,473	11,368	5,410	16,002	473	7,008	55,734
<b>Total functional expenses</b>	<b>\$ 836,620</b>	<b>\$ 782,473</b>	<b>\$ 137,504</b>	<b>\$ 180,915</b>	<b>\$ 103,478</b>	<b>\$ 253,051</b>	<b>\$ 2,294,041</b>

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

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

**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (553,988)	\$ 551,334
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Non-cash gifts	-	(28,250)
Depreciation	294,866	266,341
Amortization	6,857	947
Loss on disposal of property and equipment	2,215	54,187
Realized and unrealized gains on investments	81,456	(212,135)
Contributions restricted for capital projects	(975,713)	(940,160)
Decrease (increase) in:		
Contributions receivable	749,172	180,154
Inventory	1,226	9,703
Other assets	(2,091)	(10,037)
Decrease in:		
Accounts payable	(9,503)	(26,689)
Accrued expenses	(12,006)	(12,069)
Net cash used in operating activities	(417,509)	(166,674)
<b>INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	60,729	50,578
Purchase of historic collections	(20,000)	-
Purchase of property and equipment	(265,460)	(228,053)
Net cash used in investing activities	(224,731)	(177,475)
<b>FINANCING ACTIVITIES</b>		
Proceeds from line of credit, net	67,832	91,689
Proceeds from long-term debt	198,947	-
Payments of long-term debt financing fees	(2,484)	-
Principal payments on long-term debt	(6,061)	(54,016)
Contributions restricted for capital projects	975,713	940,160
Net cash provided by financing activities	1,233,947	977,833
Net increase in cash, cash equivalents, and restricted cash	591,707	633,684
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>		
Beginning	1,797,914	1,164,230
Ending	\$ 2,389,621	\$ 1,797,914
<b>SUPPLEMENTAL DISCLOSURE</b>		
Cash paid for interest	\$ 95,737	\$ 86,981
<b>NONCASH INVESTING ACTIVITY</b>		
Gifts of property, including collections	\$ -	\$ 28,250
Amounts in accounts payable for property and equipment	\$ 35,639	\$ -

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

# THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

### 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 plantation, to inspire exploration of his enduring legacy, and to tell the stories of the free and enslaved people who lived and worked at Poplar Forest.

The Corporation's vision is to provide a place and an experience that inspires visitors to be curious about, and active participants in, the world, their community, and the legacy of Thomas Jefferson.

The Corporation solicits individuals, corporations, and foundations for contributions and grants.

#### Estimates

The preparation of the 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 two classes:

**Net Assets without Donor Restrictions** are free of donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Revenues, gains, and losses that are not restricted by donors are included in this classification. Expenses are reported as decreases in this classification.

**Net Assets with Donor Restrictions** are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the Corporation pursuant to those stipulations. Net assets with donor restrictions also include amounts required by donors to be held in perpetuity; however, generally, the income on these assets is available to meet various operating needs.

#### Historic collections

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

#### 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, net assets with donor restrictions are reclassified into net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

(Continued)

# THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

### Note 1. Summary of Significant Accounting Policies (Continued)

#### Classification of gifts (Continued)

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.

#### Recent accounting pronouncement

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, effective for 2018. The Corporation adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Corporation's financial statements:

- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The temporarily restricted and permanently restricted net asset classes have been renamed to *net assets with donor restrictions*.
- The financial statements include a new disclosure about expense allocation (Note 1).
- The financial statements include a new disclosure about liquidity and availability of resources (Note 2).
- The implementation of this new standard did not change the Corporation's total net assets or change in net assets as previously reported for 2017.

#### 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.

(Continued)

THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents (Continued)

Cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows are as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 755,250	\$ 718,243
Cash and cash equivalents, restricted for capital projects	<u>1,634,371</u>	<u>1,079,671</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 2,389,621</u>	<u>\$ 1,797,914</u>

Assets restricted to investment in capital projects on the statements of financial position include restricted cash received with a donor-imposed restriction that limits use of that cash to long-term purposes.

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 the gift.

Inventory

Inventory of the Museum Shop is stated at the lower of cost or net realizable value 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.

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.

(Continued)

# THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

### Note 1. Summary of Significant Accounting Policies (Continued)

#### Allocation of expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses that are attributable to one or more program or supporting functions of the Corporation include depreciation and amortization, interest, information technology, buildings and grounds, general services, and salaries and benefits. Depreciation and amortization is allocated based on a square footage basis, interest is allocated based on the areas receiving benefit from the related debt instrument, information technology is allocated based on the number of computers utilized by each function, buildings and grounds, general services, and salaries and benefits are allocated based on the estimated time, effort, and costs.

#### 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 \$295,000. A 100% valuation allowance has been recorded against this deferred tax asset because it is uncertain that the loss carryforwards will be realized.

#### 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.

#### Fair value measurements

Authoritative guidance for fair value measurements and disclosures establishes a single definition of fair value and requires certain disclosures about fair value measurements. Fair value is defined 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. This guidance establishes 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, inputs that are observable (such as credit and yield curves) in active markets, and quoted prices for identical or similar assets in markets that are not active.

**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.

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

(Continued)

# THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

### Note 1. Summary of Significant Accounting Policies (Continued)

#### Net asset classification of endowment funds

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 State Prudent Management of Institutional Funds Act (SPMIFA). The Corporation's Board of Directors has interpreted SPMIFA 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 net assets with donor restrictions as: 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 Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

In accordance with SPMIFA, 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.

(Continued)

# THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

### Note 1. Summary of Significant Accounting Policies (Continued)

#### Net asset classification of endowment funds (Continued)

##### *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.

#### Subsequent events

Management has evaluated subsequent events through June 18, 2019, the date the financial statements were available to be issued.

#### Recently issued accounting pronouncements

The FASB issued ASU No. 2016-02, *Leases (Topic 842)*, in February 2016. This ASU requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous Generally Accepted Accounting Principles (GAAP), which have terms greater than 12 months. This ASU defines a lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. This ASU retains a distinction between finance leases and operating leases. The result of retaining a distinction between finance leases and operating leases in the statements of activities and cash flows is largely unchanged from previous GAAP. ASU No. 2016-02 is effective for fiscal year 2020.

The FASB issued ASU 2018-08, *Not for Profit Entities*, in June of 2018 to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update are intended, among other things, to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This standard will be effective for the fiscal year 2020.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018**

**Note 2. Liquidity and Availability**

Financial assets available for general expenditure without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 755,250
Contributions receivable, net	401,018
Inventory	65,372
Other assets	68,237
Investments	<u>1,506,163</u>
 Total financial assets	 <u>2,796,040</u>
 Less amounts not available to be used within one year:	
Designated by the Board	(1,393,740)
Purpose restricted net assets	(376,261)
Estimated purpose restriction spending	322,764
Purpose restricted endowment earnings	(4,830)
Perpetual in nature	(107,593)
Estimated endowment draw	<u>65,000</u>
 Total financial assets not available to be used within one year	 <u>(1,494,660)</u>
 Total financial assets available to meet general expenditures within one year	 <u>\$ 1,301,380</u>

The Corporation's endowment funds consist of donor-restricted endowments and funds designated by the Board of Trustees as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts restricted for current operations. Donor-restricted endowment funds are not available for general expenditure.

The Corporation's board-designated endowment fund totals \$1,393,740. These funds have been set aside to function as endowments. Although we do not intend to spend in excess of this draw from the board-designated endowment, the fund could be made available for current spending if absolutely necessary.

The Corporation has a line of credit in the amount of \$500,000 to cover operating cash needs periodically throughout the year, if necessary.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018**

**Note 3. Contributions Receivable**

Contributions receivable are due as follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 412,017	\$ 770,976
One to five years	589,263	1,017,219
	<u>1,001,280</u>	<u>1,788,195</u>
Allowance for uncollectible contributions	(22,400)	(42,000)
Discount calculated at 2.00% for 2018 and 2017	(18,199)	(36,342)
	<u>\$ 960,681</u>	<u>\$ 1,709,853</u>
Contributions receivable, current portion	\$ 401,018	\$ 749,451
Contributions receivable, long-term	559,663	960,402
	<u>\$ 960,681</u>	<u>\$ 1,709,853</u>
Total contributions receivable, net	\$ 960,681	\$ 1,709,853

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 six grants with original awards totaling \$968,650. The conditional portion of these grants remaining at December 31, 2018 and 2017 totaled \$733,347 and \$724,947, respectively.

As of December 31, 2018 and 2017, approximately 81% and 78%, respectively, of contributions receivable were from three and four donors, respectively.

**Note 4. Investments**

Investments are all maintained internally as endowments and consist of the following:

	<u>2018</u>			<u>2017</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
Equity securities	\$ 710,284	\$ 870,236	\$ 159,952	\$ 745,487	\$ 1,030,972	\$ 285,485
Government						
bonds	146,526	147,777	1,251	132,700	132,077	(623)
Corporate bonds	188,931	182,037	(6,894)	176,537	178,514	1,977
Mutual funds:						
Equity	84,754	91,366	6,612	89,702	110,374	20,672
Bonds	130,765	119,236	(11,529)	126,357	119,016	(7,341)
Short-term						
investments	95,511	95,511	-	77,395	77,395	-
	<u>\$ 1,356,771</u>	<u>\$ 1,506,163</u>	<u>\$ 149,392</u>	<u>\$ 1,348,178</u>	<u>\$ 1,648,348</u>	<u>\$ 300,170</u>

Investment fees of \$16,137 and \$14,982 were paid in 2018 and 2017, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018**

**Note 5. Inventory**

Inventory consists of the following:

	<b>2018</b>	<b>2017</b>
Gift shop	\$ 35,741	\$ 30,747
Publications	29,631	35,851
	<b>\$ 65,372</b>	<b>\$ 66,598</b>

**Note 6. Property and Equipment**

Property and equipment consists of the following:

	<b>2018</b>	<b>2017</b>
Land improvements	\$ 424,135	\$ 424,135
Buildings	9,470,332	9,193,374
Furniture, fixtures, and equipment	497,551	515,609
Vehicles	21,052	21,052
	10,413,070	10,154,170
Less accumulated depreciation	(5,115,082)	(4,848,190)
	5,297,988	5,305,980
Land	5,667,799	5,667,799
Historical buildings	800,000	800,000
Construction in progress	277,517	265,507
	<b>\$ 12,043,304</b>	<b>\$ 12,039,286</b>

**Note 7. Line of Credit**

The Corporation has a revolving bank line of credit that provides for short-term borrowings up to \$500,000 at an interest rate of prime + 1.00% (5.50% at December 31, 2018), subject to a minimum rate of 4.00%, due on demand. This line, as well as the notes payable, is subject to a credit agreement such that the debt is secured by the Corporation's real estate, investments, and assignment of all rents of the Corporation's properties. Covenants include a requirement that the Corporation hold marketable securities of at least \$1,200,000, the Corporation must have a minimum tangible net worth of \$10,000,000, the outstanding balance must be less than 90% of the investment account, and other covenants. The line is subject to review at July 28, 2019. Interest expense on the line totaled \$15,973 and \$13,650 in 2018 and 2017, respectively.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018**

**Note 8. Long-Term Debt**

Long-term debt consists of the following:

	<b>Final Maturity</b>	<b>2018</b>	<b>2017</b>
Note payable, bank, issued in 2018, 5.50% for five years then variable, payable \$13,876 monthly including principal and interest, collateralized by certain real property and a negative pledge agreement on investments and other real estate, subject to various covenants described in Note 7.	2038	\$ 1,993,939	\$ -
Note payable, bank, issued in 2012, variable, payable \$8,833 monthly including principal and interest, collateralized by certain real property, subject to various covenants described in Note 7.	2037	-	1,307,268
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	-	102,764
		1,993,939	1,410,032
Less current maturities		(55,505)	(55,929)
Less unamortized deferred loan costs		(24,891)	(18,383)
		<u>\$ 1,913,543</u>	<u>\$ 1,335,720</u>

Debt matures as follows:

<b>Year Ending December 31,</b>	<b>Debt</b>	<b>Amortization of Deferred Loan Costs</b>	<b>Total</b>
2018	\$ 56,765	\$ (1,260)	\$ 55,505
2019	59,706	(1,260)	58,446
2020	63,429	(1,260)	62,169
2021	67,058	(1,260)	65,798
2022	70,894	(1,260)	69,634
2023 and thereafter	1,676,087	(18,591)	1,657,496
	<u>\$ 1,993,939</u>	<u>\$ (24,891)</u>	<u>\$ 1,969,048</u>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018**

**Note 9. Net Assets**

Net assets with donor restrictions consist of the following:

	<u>2018</u>	<u>2017</u>
<u>Donor restricted – subject to expenditure for specific purposes and time</u>		
Historical preservation and restoration	\$ 554,910	\$ 1,009,095
Archaeological research and interpretation	27,863	30,374
Visitor services	3,177	6,573
Capital initiatives	1,800,736	1,315,223
Educational initiatives	52,415	41,052
Time restrictions	<u>246,070</u>	<u>475,359</u>
	<u>2,685,171</u>	<u>2,877,676</u>
 <u>Donor restricted – held in perpetuity</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>
	<u>\$ 2,842,764</u>	<u>\$ 3,035,269</u>

During 2013 the Corporation initiated a capital campaign that remained active as of December 31, 2018. The purpose of the campaign included a new parkway/entrance, education, marketing, and operating reserve, as well as supplementing the fundraising expenses. Contributions received through the capital campaign are classified as net assets with donor restriction or net assets without donor restrictions based on the directions of individual donors.

**Note 10. Endowment**

Endowment composition by net asset classification

	<u>December 31, 2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds			
Original donor-restricted gift to be maintained in perpetuity	\$ -	\$ 107,593	\$ 107,593
Accumulated investment gains	-	4,830	4,830
Board-designated endowment funds	<u>1,393,740</u>	-	<u>1,393,740</u>
 Total funds	<u>\$ 1,393,740</u>	<u>\$ 112,423</u>	<u>\$ 1,506,163</u>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018**

**Note 10. Endowment (Continued)**

Endowment composition by net asset classification (Continued)

	<b>December 31, 2017</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds			
Original donor-restricted gift to be maintained in perpetuity	\$ -	\$ 107,593	\$ 107,593
Accumulated investment gains	-	10,518	10,518
Board-designated endowment funds	1,530,237	-	1,530,237
Total funds	\$ 1,530,237	\$ 118,111	\$ 1,648,348

Changes in endowment composition by net asset classification

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, December 31, 2016	\$ 1,375,142	\$ 111,649	\$ 1,486,791
Investment returns:			
Investment income	12,519	522	13,041
Net gain (realized and unrealized)	206,266	8,594	214,860
Total investment return	218,785	9,116	227,901
Appropriation of endowment assets for expenditure	(63,690)	(2,654)	(66,344)
Endowment net assets, December 31, 2017	1,530,237	118,111	1,648,348
Investment returns:			
Investment income	15,358	639	15,997
Net loss (realized and unrealized)	(88,932)	(3,705)	(92,637)
Total investment return	(73,574)	(3,066)	(76,640)
Appropriation of endowment assets for expenditure	(62,923)	(2,622)	(65,545)
	\$ 1,393,740	\$ 112,423	\$ 1,506,163

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018**

**Note 11. Rental Property Revenue**

As lessor, the Corporation leases a golf course which comprises a portion of its real property for \$3,500 per month with an annual increase of 2.50% on each anniversary date. The lease terminates January 31, 2021. The Corporation recognized \$42,000 of revenue from the golf course lease in 2018 and 2017. Future minimum lease income is as follows:

2019	\$	42,963
2020		44,037
2021		<u>3,677</u>
	\$	<u>90,677</u>

In addition, the Corporation leases certain other property on an annual basis for which revenue for 2018 and 2017 amounted to \$137,503 and \$143,743, respectively. The net investment in rental land and buildings, which are included in property and equipment, is as follows:

	<u>2018</u>	<u>2017</u>
Golf course – land and buildings, at cost	\$ 589,323	\$ 589,323
Other property, at cost	1,639,563	1,585,477
Less accumulated depreciation	<u>(993,086)</u>	<u>(941,397)</u>
Net investment in rental properties	<u>\$ 1,235,800</u>	<u>\$ 1,233,403</u>

**Note 12. 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 13. Employee Benefits**

The Corporation has a Safe Harbor 401(k) retirement plan, which covers substantially all full-time and part-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 contributes 3.00% of compensation for all eligible employees, in addition, for those participants who elect to contribute, the Corporation matches 33% of employee contributions up to 6.00%.

The Corporation's share of contributions to the plan totaled \$46,909 and \$46,375 for 2018 and 2017, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018**

**Note 14. Fair Value Measurements**

The following is a summary of the inputs used to determine the fair value of financial assets measured on a recurring basis as of December 31, 2018 and 2017:

	<b>2018</b>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Short-term investments	\$ 95,511	\$ 95,511	\$ -	\$ -
Equity securities	870,236	870,236	-	-
Government bonds	147,777	147,777	-	-
Corporate bonds	182,037	-	182,037	-
Mutual funds	210,602	210,602	-	-
	<u>\$ 1,506,163</u>	<u>\$ 1,324,126</u>	<u>\$ 182,037</u>	<u>\$ -</u>
Contributions receivable, net	<u>\$ 960,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 960,681</u>
	<b>2017</b>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Short-term investments	\$ 77,395	\$ 77,395	\$ -	\$ -
Equity securities	1,030,972	1,030,972	-	-
Government bonds	132,077	132,077	-	-
Corporate bonds	178,514	-	178,514	-
Mutual funds	229,390	229,390	-	-
	<u>\$ 1,648,348</u>	<u>\$ 1,469,834</u>	<u>\$ 178,514</u>	<u>\$ -</u>
Contributions receivable, net	<u>\$ 1,709,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,709,853</u>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018**

**Note 14. Fair Value Measurements (Continued)**

The following is a reconciliation of changes in fair value of assets classified as Level 3 for the years ended December 31:

	<b>Contributions Receivable</b>
Balance, January 1, 2017	\$ 1,890,007
Additions	731,912
Collections	(905,630)
Changes in value	<u>(6,436)</u>
Balance, December 31, 2017	1,709,853
Additions	406,651
Collections	(1,194,816)
Changes in value	<u>38,993</u>
Balance, December 31, 2018	<u><u>\$ 960,681</u></u>

**Quantitative Information about Significant Unobservable Inputs  
Used in Level 3 Fair Value Measurements**

<b>Instrument</b>	<b>Fair Value</b>	<b>Principal Valuation Technique</b>	<b>Unobservable Inputs</b>	<b>Range of Significant Input Values</b>
Contributions receivable – promises to give cash	\$ 960,681	Discounted cash flows	Estimated collectability timing of expected cash flows discount rate	5.00% allowance for doubtful contributions receivable  2.00% discount