



THOMAS JEFFERSON'S  
*Poplar Forest*

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

**FINANCIAL REPORT**

**December 31, 2019**

 **BROWN EDWARDS**  
*certified public accountants*

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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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2019 and 2018, 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
June 11, 2020

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

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 510,594	\$ 755,250
Contributions receivable, net (Notes 3 and 14)	370,017	401,018
Inventory (Note 5)	57,402	65,372
Other assets	37,830	68,237
Total current assets	975,843	1,289,877
<b>LONG-TERM ASSETS</b>		
Cash and cash equivalents, restricted for capital projects	500,475	1,634,371
Contributions receivable, long-term, net (Notes 3 and 14)	518,065	559,663
Property and equipment, net (Notes 6 and 8)	12,029,496	12,043,304
Investments (Notes 4 and 14)	3,556,775	1,506,163
Historic collections	265,777	260,372
Total assets	\$ 17,846,431	\$ 17,293,750
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 23,858	\$ 55,355
Line of credit (Note 7)	230,816	-
Current maturities of long-term debt (Note 8)	58,408	55,505
Accrued expenses	118,658	69,558
Total current liabilities	431,740	180,418
<b>LONG-TERM DEBT, net of current maturities and unamortized deferred loan costs (Note 8)</b>	<b>1,855,784</b>	<b>1,913,543</b>
Total liabilities	2,287,524	2,093,961
<b>NET ASSETS</b>		
Net assets without donor restrictions		
Undesignated	10,269,257	10,963,285
Designated by the Board (Note 10)	1,632,157	1,393,740
	11,901,414	12,357,025
Net assets with donor restrictions (Notes 9 and 10)	3,657,493	2,842,764
Total net assets	15,558,907	15,199,789
	\$ 17,846,431	\$ 17,293,750

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, 2019 and 2018**

	2019			2018		
	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	\$ 672,820	\$ 901,250	\$ 1,574,070	\$ 608,351	\$ 541,793	\$ 1,150,144
Government grants	22,500	42,000	64,500	8,500	50,000	58,500
Visitation	471,662	-	471,662	485,921	-	485,921
Rent income (Note 11)	178,399	-	178,399	179,503	-	179,503
Investment income	60,268	195	60,463	25,811	(1,982)	23,829
Net unrealized and realized gains on investments	287,448	9,738	297,186	(77,751)	(3,705)	(81,456)
Miscellaneous	58,509	-	58,509	14,474	-	14,474
Loss on disposal of property and equipment	-	-	-	(2,215)	-	(2,215)
Net assets released from restrictions	138,454	(138,454)	-	778,611	(778,611)	-
<b>Total support and revenue</b>	<b>1,890,060</b>	<b>814,729</b>	<b>2,704,789</b>	<b>2,021,205</b>	<b>(192,505)</b>	<b>1,828,700</b>
<b>EXPENSES</b>						
Program:						
Restoration	836,778	-	836,778	853,690	-	853,690
Visitation/interpretation	800,707	-	800,707	817,111	-	817,111
Supporting:						
Rental properties	152,875	-	152,875	148,790	-	148,790
Administrative	174,768	-	174,768	194,119	-	194,119
Public relations	94,346	-	94,346	105,520	-	105,520
Fundraising	286,197	-	286,197	263,458	-	263,458
<b>Total expenses</b>	<b>2,345,671</b>	<b>-</b>	<b>2,345,671</b>	<b>2,382,688</b>	<b>-</b>	<b>2,382,688</b>
<b>CHANGE IN NET ASSETS</b>	<b>(455,611)</b>	<b>814,729</b>	<b>359,118</b>	<b>(361,483)</b>	<b>(192,505)</b>	<b>(553,988)</b>
<b>NET ASSETS</b>						
Beginning	12,357,025	2,842,764	15,199,789	12,718,508	3,035,269	15,753,777
Ending	<u>\$ 11,901,414</u>	<u>\$ 3,657,493</u>	<u>\$ 15,558,907</u>	<u>\$ 12,357,025</u>	<u>\$ 2,842,764</u>	<u>\$ 15,199,789</u>

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, 2019**

	<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	\$ 491,795	\$ 310,371	\$ 13,723	\$ 68,955	\$ 10,293	\$ 195,171	\$ 1,090,308
Depreciation and amortization	179,091	43,353	56,786	28,715	207	1,969	310,121
Utilities	15,012	10,955	1,092	7,163	-	1,934	36,156
Repairs and maintenance	15,651	24,379	26,605	9,619	39	7,993	84,286
Professional fees	13,302	102,356	-	32,639	79,131	1,291	228,719
Advertising	-	100,372	-	470	1,290	-	102,132
Taxes and insurance	210	105	10,905	-	-	-	11,220
Interest	62,186	31,093	28,655	(1,761)	-	-	120,173
Postage, printing, and supplies	10,223	26,830	-	3,459	232	19,951	60,695
Cost of retail sales	-	64,095	-	-	-	-	64,095
Travel and entertainment	837	21,004	-	4,254	722	45,817	72,634
Rental	1,548	28,391	9,642	1,271	37	553	41,442
Miscellaneous	376	11,881	-	1,042	30	377	13,706
Fees	306	10,237	-	706	-	2,648	13,897
Educational material	25,569	1,150	-	384	-	-	27,103
Dues and subscriptions	484	2,571	-	536	180	520	4,291
Meetings	-	-	-	367	1,695	359	2,421
Professional development	2,030	400	-	-	-	240	2,670
Insurance	18,158	11,164	5,467	16,949	490	7,374	59,602
<b>Total functional expenses</b>	<b>\$ 836,778</b>	<b>\$ 800,707</b>	<b>\$ 152,875</b>	<b>\$ 174,768</b>	<b>\$ 94,346</b>	<b>\$ 286,197</b>	<b>\$ 2,345,671</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, 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 and amortization	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**

**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 359,118	\$ (553,988)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Non-cash gifts	(1,500)	-
Depreciation	308,861	294,866
Amortization	1,260	6,856
Loss on disposal of property and equipment	-	2,215
Realized and unrealized gains on investments	(297,186)	81,456
Contributions restricted for capital projects	(864,607)	(975,713)
Decrease (increase) in:		
Contributions receivable	72,599	749,172
Inventory	7,970	1,226
Other assets	30,407	(2,091)
Decrease in:		
Accounts payable	(33,504)	(9,503)
Accrued expenses	49,100	(12,006)
Net cash used in operating activities	<u>(367,482)</u>	<u>(417,510)</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	47,314	60,729
Purchase of investments	(1,800,740)	-
Purchase of historic collections	(5,405)	(20,000)
Purchase of property and equipment	(291,546)	(265,459)
Net cash used in investing activities	<u>(2,050,377)</u>	<u>(224,730)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from line of credit, net	230,816	67,832
Proceeds from long-term debt	-	198,947
Payments of long-term debt financing fees	-	(2,484)
Principal payments on long-term debt	(56,116)	(6,061)
Contributions restricted for capital projects	864,607	975,713
Net cash provided by financing activities	<u>1,039,307</u>	<u>1,233,947</u>
Net increase in cash, cash equivalents, and restricted cash	(1,378,552)	591,707
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>		
Beginning	<u>2,389,621</u>	<u>1,797,914</u>
Ending	<u>\$ 1,011,069</u>	<u>\$ 2,389,621</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Cash paid for interest	<u>\$ 120,173</u>	<u>\$ 95,737</u>
<b>NONCASH INVESTING ACTIVITY</b>		
Gifts of property, including collections	<u>\$ 1,500</u>	<u>\$ -</u>
Amounts in accounts payable for property and equipment	<u>\$ 2,007</u>	<u>\$ 35,639</u>

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, 2019

### 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 accounting principles generally accepted in the United States of America (GAAP) 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, 2019

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.

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.

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>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 510,594	\$ 755,250
Cash and cash equivalents, restricted for capital projects	<u>500,475</u>	<u>1,634,371</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 1,011,069</u>	<u>\$ 2,389,621</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.

(Continued)

# THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

#### 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.

#### 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 \$294,000. 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.

(Continued)

# THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

#### 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).

#### 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 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 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 Corporation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

(Continued)

THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

Net asset classification of endowment funds (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.

Subsequent events

Management has evaluated subsequent events through June 11, 2020, the date the financial statements were available to be issued.

(Continued)

# THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

#### Subsequent events (Continued)

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Corporation’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Corporation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

The Corporation’s operations are heavily dependent on fees from visitation and private and public donations from individuals, foundations, and corporations. Additionally, access to grants and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global and regional economic slowdown. This situation is expected to depress donations during fiscal year 2020. As such, this may hinder our ability to advance our mission. It may also lead the Corporation to seek debt restructuring and additional sources of debt and/or equity financing. As such, our financial condition and liquidity may be negatively impacted for the fiscal year 2020.

As a result of the COVID-19 outbreak, there has been substantial volatility in the United States of America and global financial markets. Management is monitoring their investment portfolio and believes the market volatility to be temporary and their intention is to hold any securities that have been impacted until recovery.

On April 7, 2020, the Corporation entered into an unsecured promissory noted agreement for \$232,500 under the Paycheck Protection Program (PPP) of The Coronavirus Aid, Relief, and Economic Security (CARES) Act that was enacted on March 27, 2020. The loan matures on April 7, 2022 and bears an interest rate of 1.00% per year, with monthly payments starting on July 22, 2021. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses and the borrower meets other requirements.

#### Change in accounting principle and transition

Effective January 1, 2019, the Corporation adopted Accounting Standards Updated (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and all amendments, issued by the Financial Accounting Standards Board (FASB). This ASU supersedes most existing revenue recognition guidance under GAAP. The Corporation adopted the new standard using the modified retrospective approach, which is an allowable practical expedient for efficient implementation. The adoption resulted in no cumulative catch-up to retained earnings.

(Continued)

# THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

#### Change in accounting principle and transition (Continued)

##### *Gifts*

The Corporation receives gift revenue primarily consisting of pledges and contributions from donors. Gifts are classified as restricted or unrestricted based on donor stipulation and intent. When a stipulated time restriction ends and/or a purpose restriction is accomplished, the donor restricted gifts are reported as released from restrictions. For donations received absent of explicit donor restrictions, the Corporation reports the contributions as revenue as they are received. Revenue recognition has no impact on the gifts as they are earned at a point in time.

##### *Visitation*

A primary source of revenue for the Corporation consists of fees for tours, fees for educational programs, and museum shop sales. The fees for tours and educational programs are derived from the sale of admission tickets to visit the property and to programmatic offerings. The museum shop revenues are derived from the sale of souvenirs, publications, merchandise, gifts, and food. The Corporation recognizes visitation revenues at the point in time when services are provided to the customer.

##### *Rent*

The Corporation receives revenue by renting residential properties. The revenue for these services are recognized over the term of the rental agreement in which the properties are provided in an amount that the Corporation expects to receive in exchange for the services.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Corporation adopted this guidance effective January 1, 2019. The adoption of ASU 2018-08 did not result in any significant changes to the accounting for any of the Corporation's material revenue streams.

#### 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 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 2022.

(Continued)

THE CORPORATION FOR JEFFERSON'S POPLAR FOREST

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

**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	\$ 510,594
Contributions receivable, net	370,017
Inventory	57,402
Other assets	37,830
Investments – endowment	<u>1,754,514</u>
Total financial assets	<u>2,730,357</u>
Less amounts not available to be used within one year:	
Designated by the Board	(1,632,157)
Purpose restricted net assets	(489,831)
Estimated purpose restriction spending	402,000
Purpose restricted endowment earnings	(14,764)
Perpetual in nature	(107,593)
Estimated endowment draw	<u>66,000</u>
Total financial assets not available to be used within one year	<u>(1,776,345)</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 954,012</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 \$1,632,157. 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. At December 31, 2019 and 2018, the line of credit had a balance of \$230,816 and \$-0-, respectively.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**Note 3. Contributions Receivable**

Contributions receivable are due as follows:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 380,017	\$ 412,017
One to five years	<u>548,945</u>	<u>589,263</u>
	928,962	1,001,280
Allowance for uncollectible contributions	(22,000)	(22,400)
Discount calculated at 2.00% for 2019 and 2018	<u>(18,880)</u>	<u>(18,199)</u>
	<u>\$ 888,082</u>	<u>\$ 960,681</u>
Contributions receivable, current portion	\$ 370,017	\$ 401,018
Contributions receivable, long-term	<u>518,065</u>	<u>559,663</u>
Total contributions receivable, net	<u>\$ 888,082</u>	<u>\$ 960,681</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 \$664,650. The conditional portion of these grants remaining at December 31, 2019 totaled \$622,650.

As of December 31, 2019 and 2018, approximately 79% and 81%, respectively, of contributions receivable were from four and three donors, respectively.

**Note 4. Investments**

Investments consist of the following:

	<u>2019</u>			<u>2018</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	\$ 729,186	\$ 1,085,227	\$ 356,041	\$ 710,284	\$ 870,236	\$ 159,952
Government bonds	159,179	166,873	7,694	146,526	147,777	1,251
Corporate bonds	160,281	167,205	6,924	188,931	182,037	(6,894)
Mutual funds:						
Equity	94,498	121,242	26,744	84,754	91,366	6,612
Bonds	133,044	128,488	(4,556)	130,765	119,236	(11,529)
Short-term investments	85,479	85,479	-	95,511	95,511	-
U.S. treasury bills	<u>1,800,740</u>	<u>1,802,261</u>	<u>1,521</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,162,407</u>	<u>\$ 3,556,775</u>	<u>\$ 394,368</u>	<u>\$ 1,356,771</u>	<u>\$ 1,506,163</u>	<u>\$ 149,392</u>

Investment fees of \$16,049 and \$16,137 were paid in 2019 and 2018, respectively.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**Note 5. Inventory**

Inventory consists of the following:

	<b>2019</b>	<b>2018</b>
Gift shop	\$ 30,147	\$ 35,741
Publications	27,255	29,631
	<b>\$ 57,402</b>	<b>\$ 65,372</b>

**Note 6. Property and Equipment**

Property and equipment consists of the following:

	<b>2019</b>	<b>2018</b>
Land improvements	\$ 425,635	\$ 424,135
Buildings	9,530,466	9,470,332
Furniture, fixtures, and equipment	500,145	497,551
Vehicles	21,052	21,052
	10,477,298	10,413,070
Less accumulated depreciation	(5,423,943)	(5,115,082)
	5,053,355	5,297,988
Land	5,667,799	5,667,799
Historical buildings	800,000	800,000
Construction in progress	508,342	277,517
	<b>\$ 12,029,496</b>	<b>\$ 12,043,304</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% (4.75% at December 31, 2019), 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, 2020. Interest expense on the line totaled \$9,776 and \$15,973 in 2019 and 2018, respectively.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**Note 8. Long-Term Debt**

Long-term debt consists of the following:

	<b>Final Maturity</b>	<b>2019</b>	<b>2018</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	\$ 1,937,823	\$ 1,993,939
Less current maturities		(58,408)	(55,505)
Less unamortized deferred loan costs		(23,631)	(24,891)
		\$ 1,855,784	\$ 1,913,543

Debt matures as follows:

<b>Year Ending December 31,</b>	<b>Debt</b>	<b>Amortization of Deferred Loan Costs</b>	<b>Total</b>
2020	\$ 59,669	\$ (1,260)	\$ 58,409
2021	63,389	(1,260)	62,129
2022	67,016	(1,260)	65,756
2023	70,850	(1,260)	69,590
2024	74,638	(1,260)	73,378
2025 and thereafter	1,602,261	(17,331)	1,584,930
	\$ 1,937,823	\$ (23,631)	\$ 1,914,192

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**Note 9. Net Assets**

Net assets with donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
<u>Donor restricted – subject to expenditure for specific purposes and time</u>		
Historical preservation and restoration	\$ 493,654	\$ 554,910
Archaeological research and interpretation	21,863	27,863
Visitor services	3,177	3,177
Capital initiatives	2,515,992	1,800,736
Educational initiatives	55,594	52,415
Time restrictions	409,620	246,070
	<u>3,499,900</u>	<u>2,685,171</u>
 <u>Donor restricted – held in perpetuity</u>		
Endowment investments	107,593	107,593
Antique tool collection held in perpetuity	50,000	50,000
	<u>157,593</u>	<u>157,593</u>
	<u>\$ 3,657,493</u>	<u>\$ 2,842,764</u>

During 2013, the Corporation initiated a capital campaign that remained active as of December 31, 2019. 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, 2019</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	-	14,764	14,764
Board-designated endowment funds	<u>1,632,157</u>	<u>-</u>	<u>1,632,157</u>
 Total funds	<u>\$ 1,632,157</u>	<u>\$ 122,357</u>	<u>\$ 1,754,514</u>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**Note 10. Endowment (Continued)**

Endowment composition by net asset classification (Continued)

	<b>December 31, 2018</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	-	4,830	4,830
Board-designated endowment funds	<u>1,393,740</u>	<u>-</u>	<u>1,393,740</u>
 Total funds	 <u>\$ 1,393,740</u>	 <u>\$ 112,423</u>	 <u>\$ 1,506,163</u>

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, 2017	<u>\$ 1,530,237</u>	<u>\$ 118,111</u>	<u>\$ 1,648,348</u>
Investment returns:			
Investment income	15,358	639	15,997
Net loss (realized and unrealized)	<u>(88,932)</u>	<u>(3,705)</u>	<u>(92,637)</u>
Total investment return	<u>(73,574)</u>	<u>(3,066)</u>	<u>(76,640)</u>
Appropriation of endowment assets for expenditure	<u>(62,923)</u>	<u>(2,622)</u>	<u>(65,545)</u>
Endowment net assets, December 31, 2018	<u>1,393,740</u>	<u>112,423</u>	<u>1,506,163</u>
Investment returns:			
Investment income	19,037	794	19,831
Net loss (realized and unrealized)	<u>283,304</u>	<u>11,804</u>	<u>295,108</u>
Total investment return	<u>302,341</u>	<u>12,598</u>	<u>314,939</u>
Appropriation of endowment assets for expenditure	<u>(63,924)</u>	<u>(2,664)</u>	<u>(66,588)</u>
	<u>\$ 1,632,157</u>	<u>\$ 122,357</u>	<u>\$ 1,754,514</u>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**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 2019 and 2018. Future minimum lease income is as follows:

2020	\$	44,037
2021		<u>3,677</u>
	\$	<u><u>47,714</u></u>

In addition, the Corporation leases certain other property on an annual basis for which revenue for 2019 and 2018 amounted to \$135,437 and \$137,503, respectively. The net investment in rental land and buildings, which are included in property and equipment, is as follows:

	<u>2019</u>	<u>2018</u>
Golf course – land and buildings, at cost	\$ 589,323	\$ 589,323
Other property, at cost	1,661,139	1,639,563
Less accumulated depreciation	<u>(1,049,770)</u>	<u>(993,086)</u>
Net investment in rental properties	<u>\$ 1,200,692</u>	<u>\$ 1,235,800</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 \$42,247 and \$46,909 for 2019 and 2018, respectively.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**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, 2019 and 2018:

	<b>2019</b>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Short-term investments	\$ 85,479	\$ 85,479	\$ -	\$ -
Equity securities	1,085,227	1,085,227	-	-
Government bonds	166,873	166,873	-	-
Corporate bonds	167,205	-	167,205	-
Mutual funds	249,730	249,730	-	-
U.S. treasury bills	1,802,261	1,802,261	-	-
	<u>\$ 3,556,775</u>	<u>\$ 3,389,570</u>	<u>\$ 167,205</u>	<u>\$ -</u>
Contributions receivable, net	<u>\$ 888,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 888,082</u>
	<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>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

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

**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	\$ 888,082	Discounted cash flows	Estimated collectability timing of expected cash flows discount rate	5.00% allowance for doubtful contributions receivable 2.00% discount

**Note 15. Commitments**

The Corporation has a professional service agreement with 106 Group for services related to the IMLS project of installing wayside and trailhead exhibits which extends through 2021. The remaining commitment under this agreement was approximately \$151,000 at December 31, 2019.