Financial Statements
Years Ended
December 31, 2012 and 2011

THE John Marshall FOUNDATION

The John Marshall Foundation

Officers

T. Cary Gresham, President

Caroline Smith-Parkinson, 2nd Vice President

Brian L. Hager, Secretary/Treasurer

The John Marshall Foundation

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Independent Accountants' Review Report

Board of Directors
The John Marshall Foundation

We have reviewed the accompanying statements of financial position of ***The John Marshall Foundation*** (a not-for-profit corporation) as of December 31, 2012 and 2011, and the related statement of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Richmond, Virginia
December xx, 2013

The John Marshall Foundation

Statements of Financial Position

December 31,	2012	2011
Assets		
Current assets		
Cash and cash equivalents	$ 117,629	$ 81,705
Pledges receivable - current portion	77,500	149,950
Total current assets	195,129	231,655
Property and equipment - net	590,999	606,676
Other assets		
Marketable securities	111,233	297,764
Pledges receivable - long-term portion	56,593	176,388
Other assets	3,731	4,023
Total other assets	171,557	478,175
	$ 957,685	$ 1,316,506
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 31,311	$ 48,323
Net assets		
Unrestricted	789,634	935,145
Temporarily restricted	136,740	333,038
Total net assets	926,374	1,268,183
	$ 957,685	$ 1,316,506

See accompanying notes and independent accountants' review report.

The John Marshall Foundation

Statement of Activities

Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Support, revenue and other changes			
Contributions	$ 26,949	$ 3,825	$ 30,774
Realized gain on marketable securities	20,945	-	20,945
Unrealized loss on marketable securties	(8,477)	-	(8,477)
Dividend income	4,582	-	4,582
Interest income	401	2	403
Other	25	-	25
Total support and revenue	44,425	3,827	48,252
Net assets released from restrictions	200,125	(200,125)	-
Total support, revenue and other changes	244,550	(196,298)	48,252
Expenses			
Salaries & consultants	140,770	-	140,770
Bad debt expense	72,165	-	72,165
Rent	28,368	-	28,368
Legal and accounting	26,998	-	26,998
Employee benefits	25,283	-	25,283
Office expenses	21,284	-	21,284
Video expense	19,071	-	19,071
Depreciation	18,088	-	18,088
Taxes and licenses	8,587	-	8,587
Grant for and other house operating costs	8,160	-	8,160
Payroll taxes	6,812	-	6,812
Annual teachers' award	5,485	-	5,485
Development and marketing	5,412	-	5,412
Other	2,653	-	2,653
Travel	749	-	749
Special events	112	-	112
Interest	64	-	64
Total expenses	390,061	-	390,061
Change in net assets	(145,511)	(196,298)	(341,809)
Net assets - beginning of year	935,145	333,038	1,268,183
Net assets - end of year	$ 789,634	$ 136,740	$ 926,374

See accompanying notes and independent accountants' review report.

The John Marshall Foundation

Statement of Activities

Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
Support, revenue and other changes			
Contributions	$ 315,264	$ 241,050	$ 556,314
Realized gain on marketable securities	22,910	-	22,910
Unrealized loss on marketable securties	(25,900)	-	(25,900)
Dividend income	7,130	-	7,130
Interest income	822	71	893
Total support and revenue	320,226	241,121	561,347
Net assets released from restrictions	202,139	(202,139)	-
Total support, revenue and other changes	522,365	38,982	561,347
Expenses			
Salaries and consultants	158,378	-	158,378
Grant for and other house operating costs	115,310	-	115,310
Awards dinner	53,650	-	53,650
Justice in the classroom	42,345	-	42,345
Rent	28,368	-	28,368
Office expenses	27,691	-	27,691
CCE teachers seminar	23,995	-	23,995
Legal and accounting	22,128	-	22,128
Employee benefits	20,124	-	20,124
Depreciation	18,103	-	18,103
Video expense	10,128	-	10,128
Taxes and licenses	8,798	-	8,798
Development and marketing	7,755	-	7,755
Payroll taxes	6,812	-	6,812
Annual teachers' award	5,674	-	5,674
Travel	4,567	-	4,567
Special events	595	-	595
Consulting	495	-	495
Total expenses	554,916	-	554,916
Change in net assets	(32,551)	38,982	6,431
Net assets - beginning of year	967,696	294,056	1,261,752
Net assets - end of year	$ 935,145	$ 333,038	$ 1,268,183

See accompanying notes and independent accountants' review report.

The John Marshall Foundation

Statements of Cash Flows

Years Ended December 31,	**2012**	**2011**
Cash flows from operating activities		
Change in net assets	$ (341,809)	$ 6,431
Adjustments to reconcile to net cash from operating activities:		
Unrealized loss on marketable securities	8,477	25,900
Realized gain on sale of marketable securities	(20,945)	(22,910)
Receipt of donated property	-	(15,100)
Depreciation	18,088	18,103
Bad debt expense	72,165	-
Change in:		
Pledges receivable	120,080	(137,417)
Other assets	292	(1,686)
Accounts payable	(17,012)	21,524
Net cash from operating activities	(160,664)	(105,155)
Cash flows from investing activities		
Purchase of property and equipment	(2,411)	(20,950)
Purchase of marketable securities	-	(149,000)
Proceeds from sale of marketable securities	198,999	56,920
Net cash from investing activities	196,588	(113,030)
Net change in cash and cash equivalents	35,924	(218,185)
Cash and cash equivalents - beginning of year	81,705	299,890
Cash and cash equivalents - end of year	$ 117,629	$ 81,705
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 64	$ -
Supplemental disclosure of noncash investing activities		
In-kind donations of property and equipment	$ -	$ 15,100

See accompanying notes and independent accountants' review report.

1. Organization and Nature of Activities

The John Marshall Foundation (Foundation) is a nonprofit, nonstock, tax-exempt corporation formed in Virginia in 1987 to (a) sponsor educational and public interest programs, lectures, scholarships, and other activities in the fields of law, government, history and civic affairs for the purpose of promoting a greater public understanding of Chief Justice John Marshall and his many accomplishments, (b) contribute to the costs of operation, maintenance, preservation and restoration of The John Marshall House as a permanent memorial to Chief Justice Marshall, and to (c) support the preservation, maintenance, interpretation and restoration of related historic properties.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Classes of Net Assets

The financial statements report amounts separately by class of net assets as follows:

> **Unrestricted** amounts are those currently available at the discretion of the Board of Directors for use in the Foundation's operations and those resources invested in property and equipment.
>
> **Temporarily restricted** amounts are those which are stipulated by donors for specific operating purposes. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets are released from restrictions.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the tax statutes of the Commonwealth of Virginia; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2012 and 2011. Fiscal years ending on or after December 31, 2009 remain subject to examination by federal and state taxing authorities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Credit Risk

Financial instruments which potentially subject the Foundation to concentration of credit risk consist principally of temporary cash investments and publicly traded stocks. The Foundation places its temporary cash investments with high credit quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution or stock. In evaluating this credit risk, the Foundation periodically evaluates the stability of these financial institutions.

Collections

The Foundation capitalizes its collections. Accessions are capitalized at cost if purchased and at fair value at date of accession if received by donation. Gains and losses on deaccessions of donated collections are recorded based on the presence or absence of donor restrictions placed on items at the date of donation.

Marketable Securities

Investments consist of marketable securities which are carried at the security's fair value with any realized or unrealized gains and losses reported in the statements of activities. Investment income is recognized as revenue in the period in which it is earned and gains and losses are recognized as changes in net assets in the accounting periods in which they occur.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	15 years
Office furniture and equipment	5 years
Computers and software	3 – 5 years

Maintenance and repairs are charged to expense as incurred.

Donated Rent, Equipment and Services

Donated rent, equipment and services are included in contributions at fair market value as of the date of the donations.

Advertising

The Foundation follows the policy of charging the costs of advertising to expense as incurred.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through December xx, 2013, the date the financial statements were available to be issued.

3. Pledges and Promises to Give

Unconditional promises to give were received beginning in 2004 to provide unrestricted support to the Foundation for its activities. These unconditional promises to give are to be received by the Foundation during years subsequent to December 31:

	2012	2011
Receivable in less than one year	$ 77,500	$ 149,950
Receivable in one to five years	57,600	180,950
	135,100	330,900
Less – discount	(1,007)	(4,562)
	$ 134,093	$ 326,338

The Foundation has elected to record all pledges receivable at fair value. The process utilizes the income approach with discounted cash flows, providing a single discounted value for all pledges.

The discount rate for 2012 and 2011 was 1.78%. No changes in the fair value measurement were attributable to instrument specific credit risk.

The Foundation received a conditional commitment of up to $500,000 through a matching grant. The grant was paid in increments of $50,000 as the Foundation raised contributions. The Foundation received $250,000 in 2011 and this commitment was fulfilled in 2011.

4. Investments

Marketable securities are reported in the financial statements in the aggregate, at fair value as described in Note 5, and any realized or unrealized gains and losses are reported in the statements of activities. At December 31, 2012 and 2011, the Foundation had investments in marketable securities with fair values of $111,233 and $297,764, respectively. The cost basis of these securities at December 31, 2012 and 2011 was $83,590 and $261,643, respectively.

5. Fair Value Measurements

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

Certificates of deposit, real estate investment trusts, limited partnership interest, corporate stocks, mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Pledges receivable: Valued using the income approach based on discounted cash flows.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2012 and 2011:

	Fair Value as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Equities:				
Real estate investment trusts	$ 56,261	$ -	$ -	$ 56,261
Limited partnerships -				
Corporate investment	54,972	-	-	54,972
Total marketable securities	111,233	-	-	111,233
Pledges receivable	-	-	134,093	134,093
Total assets at fair value	$ 111,233	$ -	$ 134,093	$ 245,326

	Fair Value as of December 31, 2011			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ 100,000	$ -	$ -	$ 100,000
Equities:				
Real estate investment trusts	126,575	-	-	126,575
Corporate investment	20,760	-	-	20,760
Mutual funds	50,429	-	-	
Total marketable securities	297,764	-	-	297,764
Pledges receivable	-	-	326,338	326,338
Total assets at fair value	$ 297,764	$ -	$ 326,338	$ 624,102

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Foundation's level 3 assets, which consist solely of pledges receivable:

Balance – December 31, 2010	$ 188,921
New pledges	233,250
Collections and other adjustments	(97,050)
Change in fair value	1,217
Balance – December 31, 2011	326,338
Collections and other adjustments	(195,800)
Change in fair value	3,555
Balance – December 31, 2012	$ 134,093

6. Property and Equipment

Property and equipment consisted of the following at December 31:

	2012	**2011**
Land and improvements	$ 547,070	$ 547,070
Office furniture and equipment	21,712	21,712
Historical collections	19,000	19,000
Computers and software	71,231	70,466
	659,013	658,248
Less – accumulated depreciation	(68,014)	(51,572)
	$ 590,999	$ 606,676

7. Functional Expenses

The expenses of the Foundation, excluding realized and unrealized losses on marketable securities, are reported in the statements of activities according to natural classification and the breakdown of expenses by function is as follows for December 31:

	2012	2011
Program services	$ 200,913	$ 360,099
Management and general	112,587	117,046
Fundraising	76,561	77,771
	$ 390,061	$ 554,916

8. Gifts-In-Kind

During 2011, the Foundation received in-kind contributions totaling $15,100 from a single donor in connection with the development and continuance of the education program. The contributions consisted of website design services and are included in property and equipment on the statement of financial position. No such contributions were received in 2012.

9. Retirement Plan

In September 2005, the Foundation adopted a SIMPLE 401(k) Plan through which certain employees may elect to have a salary reduction contribution to the plan. Employees who are expected to receive, or have previously received, at least $3,000 in compensation is eligible to participate in the plan. Vesting in the employer contributions begins upon entering the plan. The Foundation makes matching contributions in an amount not to exceed 3% of the employees' compensation. For 2012 and 2011, the Foundation made matching contributions to the plan of $2,671.

10. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are as follows:

	2012	2011
Pledges receivable	$ 134,093	$ 326,338
Gravesite fund	2,361	4,709
House fund	286	286
Oak Hill fund	-	1,312
Docent fund	-	393
	$ 136,740	$ 333,038

11. Commitments and Contingencies

The Foundation has no formal contractual obligation to provide funding to Preservation Virginia for the operation and maintenance of the John Marshall House. Funds are provided based on the annual support activities of the Foundation and therefore funding to Preservation Virginia is subject to the level of public support and/or any other use of Foundation assets as determined by the Board.

12. Rent

The Foundation rents office space on a month-to-month basis for $2,364 a month totaling $28,368 for 2012 and 2011.

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