

**The John Marshall
Foundation**

Financial Statements
Years Ended December 31, 2016 and 2015

The John Marshall Foundation

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To Management
The John Marshall Foundation
Richmond, Virginia

We have reviewed the accompanying financial statements of The John Marshall Foundation, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company 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's Responsibility for the Financial Statements

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; 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

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

Morey, Jones & Pfeiffer, PC

Richmond, Virginia
November 15, 2017

The John Marshall Foundation

Statements of Financial Position December 31, 2016 and 2015

Assets

	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 107,991	\$ 53,720
Pledges receivable	<u>2,200</u>	<u>2,500</u>
Total Current Assets	<u>110,191</u>	<u>56,220</u>
 Property and Equipment - Net	 <u>543,983</u>	 <u>548,211</u>
 Other assets		
Deposits and prepaid expenses	<u>1,934</u>	<u>4,212</u>
Total other assets	<u>1,934</u>	<u>4,212</u>
	 <u><u>656,108</u></u>	 <u><u>608,643</u></u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	<u>-</u>	<u>897</u>
 Net Assets		
Unrestricted	587,404	592,467
Temporarily restricted	<u>68,704</u>	<u>15,279</u>
	<u>656,108</u>	<u>607,746</u>
 Total Net Assets	 <u><u>\$ 656,108</u></u>	 <u><u>\$ 608,643</u></u>

See accompanying notes and independent accountants' review report.

The John Marshall Foundation

Statement of Activities (Continued) Years Ended December 31, 2016 and 2015

Unrestricted Net Assets	<u>2016</u>	<u>2015</u>
Support and Revenue		
Contributions	\$ 169,345	\$ 102,788
Interest income	10	1
Real estate tax refund	-	3,949
Other	925	4,000
Total Unrestricted Support and Revenue	<u>170,280</u>	<u>110,738</u>
Net assets released from restrictions	<u>52,141</u>	<u>13,721</u>
Total Unrestricted Support, Revenue and Other Changes	<u>222,421</u>	<u>124,459</u>
Expenses		
Salaries and consultants	144,255	69,771
Storage	-	1,074
Rent	19,277	10,120
Legal and accounting	8,474	3,751
Curriculum	4,063	-
Office expenses	13,307	19,483
Travel	5,807	1,611
Depreciation	4,889	14,471
Taxes and licenses	243	469
Payroll taxes	7,655	-
Annual teachers' award	2,790	5,261
Development and marketing	18,272	12,380
Special events	8,846	22,840
Other	4,885	2,202
Total expenses	<u>242,763</u>	<u>163,433</u>
Decrease in Unrestricted Net Assets	<u>\$ (20,342)</u>	<u>(38,974)</u>

The John Marshall Foundation

Statement of Activities (Concluded) Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Temporarily Restricted Net Assets		
Contributions	\$ 120,845	\$ 29,000
Net assets released from restrictions	<u>(52,141)</u>	<u>(13,721)</u>
Increase in Temporarily Restricted Net Assets	<u>68,704</u>	<u>15,279</u>
Change in Net Assets	48,362	(23,695)
Net Assets - beginning of year	<u>607,746</u>	<u>631,441</u>
Net Assets - end of year	<u><u>\$ 656,108</u></u>	<u><u>\$ 607,746</u></u>

The John Marshall Foundation

Statements of Cash Flows

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 48,362	\$ (23,695)
Adjustments to reconcile to net cash from operating activities:		
Depreciation	4,889	14,471
Change in:		
Pledges receivable	300	7,885
Other assets	2,277	(3,182)
Accounts payable	<u>(897)</u>	<u>897</u>
Net cash provided by (used in) operating activities	<u>54,931</u>	<u>(3,624)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	<u>(660)</u>	<u>(5,391)</u>
Net cash used in financing activities	<u>(660)</u>	<u>(5,391)</u>
Net Change in Cash and Cash Equivalents	54,271	(9,015)
Cash and cash equivalents - beginning of year	<u>53,720</u>	<u>62,735</u>
Cash and cash equivalents - end of year	<u>\$ 107,991</u>	<u>\$ 53,720</u>

See accompanying notes and independent accountants' review report.

The John Marshall Foundation

Notes to Financial Statements Years Ended December 31, 2016 and 2015

Note 1 – Organization and Nature of Activities

The John Marshall Foundation (the Foundation) is a nonprofit, nonstock, tax-exempt corporation formed in Virginia in 1987 to (a) sponsor education 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.

Note 2 - Summary of Significant Accounting Policies

The summary of significant accounting policies of the Foundation is presented to assist in understanding the Foundation's financial statements. These financial statements and notes are representations of management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Classes of Net Assets

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

Unrestricted net assets 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 net assets 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 released from restrictions.

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

The John Marshall Foundation

Notes to Financial Statements Years Ended December 31, 2016 and 2015

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, 2016. Years ending on or after December 31, 2014 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. 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. 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 in marketable securities 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. There were no marketable securities owned at December 31, 2016.

The John Marshall Foundation

Notes to Financial Statements Years Ended December 31, 2016 and 2015

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, software and website	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 donation. Office furniture was donated in 2015 having a fair market value of \$2,500 and has been included in property and equipment.

Advertising

The Foundation follows the policy of charging the costs of advertising and promotions to expense as incurred. Advertising expense amounted to \$1,764 and \$400 for the years ended December 31, 2016 and 2015.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 15, 2017, the date the financial statements were available to be issued.

Note 3 – Pledges and Promises to Give

Unconditional promises to give were received 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:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	<u>\$2,200</u>	<u>\$2,500</u>

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. There were no discounts applied to pledges receivable as of December 31, 2016 since they were receivable within one year.

The John Marshall Foundation

Notes to Financial Statements Years Ended December 31, 2016 and 2015

Note 4 – Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Land and improvements	\$547,070	\$547,070
Office furniture and equipment	11,894	11,894
Historical collections	19,000	19,000
Computers, software and website	<u>74,131</u>	<u>73,469</u>
	\$652,095	\$651,433
Less accumulated depreciation	<u>(108,112)</u>	<u>(103,222)</u>
	<u>\$543,983</u>	<u>\$548,211</u>

Note 5 – Functional Expenses

The expenses of the Foundation excluding realized and unrealized gains and 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:

	<u>2016</u>	<u>2015</u>
Program services	\$153,078	\$ 52,016
Management and general	43,915	54,179
Fundraising	<u>45,770</u>	<u>57,238</u>
	<u>\$242,763</u>	<u>\$163,433</u>

Note 6 - 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.

The John Marshall Foundation

Notes to Financial Statements Years Ended December 31, 2016 and 2015

Note 7 – Rent

The Foundation rents office space under a three-year lease ending May 31, 2018. The initial monthly lease payment was \$1,489 with an annual escalation of 3%. The rent expense amounted to \$19,277 and \$10,150 for the years ended December 31, 2016 and 2015.

The following is a schedule of future minimum payments required under the lease:

Year ending December 31

2017	\$18,183
2018	<u>7,900</u>
	<u>\$26,083</u>