

**Tennessee Residence Foundation**

**For the Year Ended  
December 31, 2004**

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**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY**

State Capitol  
Nashville, Tennessee 37243-0260  
(615) 741-2501

**John G. Morgan**  
Comptroller

May 26, 2005

The Honorable Phil Bredesen, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
Board of Directors  
Tennessee Residence Foundation  
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Residence Foundation for the year ended December 31, 2004. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting resulted in no audit findings.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/th  
05/076

State of Tennessee

# **A u d i t   H i g h l i g h t s**

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Tennessee Residence Foundation**  
For the Year Ended December 31, 2004

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## **AUDIT OBJECTIVES**

The objectives of the audit were to consider the Tennessee Residence Foundation's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, and contracts; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

## **AUDIT FINDINGS**

The audit report contains no findings.

## **OPINION ON THE FINANCIAL STATEMENTS**

The opinion on the financial statements is unqualified.

**Audit Report**  
**Tennessee Residence Foundation**  
**For the Year Ended December 31, 2004**

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**TABLE OF CONTENTS**

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	<u>Exhibit</u>	<u>Page</u>
<b>INTRODUCTION</b>		1
Post-Audit Authority		1
Legislative History		1
Organization		1
<b>AUDIT SCOPE</b>		1
<b>OBJECTIVES OF THE AUDIT</b>		2
<b>PRIOR AUDIT FINDINGS</b>		2
<b>RESULTS OF THE AUDIT</b>		2
Audit Conclusions		2
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report		3
Financial Statements		
Statements of Financial Position	A	4
Statement of Activities for the Year Ended December 31, 2004	B	5
Statement of Activities for the Year Ended December 31, 2003	C	6
Statements of Cash Flows	D	7
Notes to the Financial Statements		8

**Tennessee Residence Foundation  
For the Year Ended December 31, 2004**

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**INTRODUCTION**

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**POST-AUDIT AUTHORITY**

This is a report on the financial and compliance audit of the Tennessee Residence Foundation. The audit was performed at the request of the chairperson of the board of directors for the foundation.

**LEGISLATIVE HISTORY**

The Tennessee Residence Foundation, as created by Tennessee Public Acts of 1999, Chapter 212, is a not-for-profit organization that was incorporated on December 5, 2000. The purpose of the foundation is to purchase, receive through loan, or otherwise acquire or dispose of furnishings, fixtures, works of art, and other articles which are of Tennessee origin or of particular historic or artistic interest to the citizens of Tennessee, or which are otherwise needed to furnish and to permanently enhance the interior decor of the public reception and formal entertainment areas within the Tennessee executive residence. Tennessee Public Acts of 2004, Chapter 548, changed the name of the foundation from Tennessee Executive Residence Preservation Foundation to Tennessee Residence Foundation.

**ORGANIZATION**

The Tennessee Residence Foundation is governed by a seven-member board of directors. The board of directors consists of the Governor's spouse, or designee if the Governor is not married; three members, one from each grand division of the state, appointed by the Governor; the chair of the Tennessee State Museum Foundation Board; and two additional members, selected by the Governor from the membership of the Tennessee State Museum Foundation Board.

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**AUDIT SCOPE**

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The audit was limited to the period January 1, 2004, through December 31, 2004, and was conducted in accordance with auditing standards generally accepted in the United States of America. Financial statements are presented for the year ended December 31, 2004, and for comparative purposes, the year ended December 31, 2003.

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## **OBJECTIVES OF THE AUDIT**

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The objectives of the audit were

1. to consider the Tennessee Residence Foundation's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
2. to determine compliance with certain provisions of laws, regulations, and contracts;
3. to determine the fairness of the presentation of the financial statements; and
4. to recommend appropriate actions to correct any deficiencies.

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## **PRIOR AUDIT FINDINGS**

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There were no findings in the prior audit report.

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## **RESULTS OF THE AUDIT**

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### **AUDIT CONCLUSIONS**

#### Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the financial statements of the Tennessee Residence Foundation.



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF STATE AUDIT

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**Independent Auditor's Report**

March 17, 2005

The Honorable John G. Morgan  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the accompanying statements of financial position of the Tennessee Residence Foundation as of December 31, 2004, and December 31, 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Tennessee Residence Foundation's board of directors. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Residence Foundation, as of December 31, 2004, and December 31, 2003, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Sincerely,

Arthur A. Hayes, Jr., CPA,  
Director

AAH/th

Tennessee Residence Foundation  
 Statements of Financial Position  
 December 31, 2004, and December 31, 2003

	<u>2004</u>	<u>2003</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,282,772.65	\$ 377,901.69
Contributions receivable, net (Note C)	<u>3,023,032.32</u>	<u>-</u>
Total current assets	<u>5,305,804.97</u>	<u>377,901.69</u>
Total assets	<u>\$ 5,305,804.97</u>	<u>\$ 377,901.69</u>
Liabilities and net assets		
Net assets		
Temporarily restricted	\$ 3,023,032.32	\$ -
Unrestricted	<u>2,282,772.65</u>	<u>377,901.69</u>
Total net assets	<u>5,305,804.97</u>	<u>377,901.69</u>
Total liabilities and net assets	<u>\$ 5,305,804.97</u>	<u>\$ 377,901.69</u>

The notes to the financial statements are an integral part of this statement.

Tennessee Residence Foundation  
Statement of Activities  
For the Year Ended December 31, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and gains			
Contributions	\$ 2,049,455.36	\$ 3,023,032.32	\$ 5,072,487.68
Total revenues and gains	<u>2,049,455.36</u>	<u>3,023,032.32</u>	<u>5,072,487.68</u>
Expenses and losses			
Fundraising	6,053.00	-	6,053.00
Management and general	16,700.60	-	16,700.60
Restoration	121,599.00	-	121,599.00
Unrealized losses on cash equivalents	231.80	-	231.80
Total expenses and losses	<u>144,584.40</u>	<u>-</u>	<u>144,584.40</u>
Change in net assets	1,904,870.96	3,023,032.32	4,927,903.28
Net assets-beginning of the year	<u>377,901.69</u>	<u>-</u>	<u>377,901.69</u>
Net assets-end of the year	<u>\$ 2,282,772.65</u>	<u>\$ 3,023,032.32</u>	<u>\$ 5,305,804.97</u>

The notes to the financial statements are an integral part of this statement.

Tennessee Residence Foundation  
Statement of Activities  
For the Year Ended December 31, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and gains			
Contributions	\$ 790,594.49	\$ -	\$ 790,594.49
Total revenues and gains	<u>790,594.49</u>	<u>-</u>	<u>790,594.49</u>
Expenses and losses			
Management and general	75.00	-	75.00
Restoration	412,617.80	-	412,617.80
Total expenses and losses	<u>412,692.80</u>	<u>-</u>	<u>412,692.80</u>
Change in net assets	377,901.69	-	377,901.69
Net assets-beginning of the year	-	-	-
Net assets-end of the year	<u>\$ 377,901.69</u>	<u>\$ -</u>	<u>\$ 377,901.69</u>

The notes to the financial statements are an integral part of this statement.

Tennessee Residence Foundation  
 Statements of Cash Flows  
 For the Years Ended December 31, 2004, and December 31, 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Contributions	\$ 2,049,455.36	\$ 790,594.49
Payments to contractors	(121,599.00)	(412,617.80)
Payments to suppliers	(22,753.60)	(75.00)
Loss on cash equivalent	<u>(231.80)</u>	<u>-</u>
Net cash provided by operating activities	<u>1,904,870.96</u>	<u>377,901.69</u>
Net increase in cash	1,904,870.96	377,901.69
Cash at beginning of the year	<u>377,901.69</u>	<u>-</u>
Cash at the end of the year	<u>\$ 2,282,772.65</u>	<u>\$ 377,901.69</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 4,927,903.28	\$ 377,901.69
Change in receivables	<u>(3,023,032.32)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 1,904,870.96</u>	<u>\$ 377,901.69</u>

The notes to the financial statements are an integral part of this statement.

**Tennessee Residence Foundation  
Notes to the Financial Statements  
December 31, 2004, and December 31, 2003**

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Tennessee Residence Foundation, as created by Tennessee Public Act of 1999, Chapter 212, is a 501(c)3 not-for-profit organization that was incorporated on December 5, 2000. The purpose of the foundation is to purchase, receive through loan, or otherwise acquire or dispose of furnishings, fixtures, works of art, and other articles which are of Tennessee origin or of particular historic or artistic interest to the citizens of Tennessee, or which are otherwise needed to furnish and to permanently enhance the interior decor of the public reception and formal entertainment areas within the Tennessee executive residence.

The Tennessee Residence Foundation is governed by a seven-member board of directors. The board of directors consists of the Governor's spouse, or designee if the Governor is not married; three members, one from each grand division of the state, appointed by the Governor; the chair of the Tennessee State Museum Foundation Board; and two additional members, selected by the Governor from the membership of the Tennessee State Museum Foundation Board.

**Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The foundation follows all applicable pronouncements of the Financial Accounting Standards Board.

**Measurement Focus and Basis of Accounting**

The accompanying financial statements of the Tennessee Residence Foundation have been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

**B. OTHER ACCOUNTING DISCLOSURES**

**Cash and Cash Equivalents**

In addition to demand deposits, this classification includes instruments which are readily convertible to known amounts of cash and which have original maturities of three months or less.

**Tennessee Residence Foundation**  
**Notes to the Financial Statements (Cont.)**  
**December 31, 2004, and December 31, 2003**

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**C. CONTRIBUTIONS**

The foundation 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 to a more limited use than the purpose for which the foundation as a whole was established. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give are recognized as a receivable. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount of those amounts is computed using the interest percentage available for current investments. Conditional promises to give are not included as support until the conditions are substantially met. As of December 31, 2004, all receivables are for unconditional promises to give.

**Contributions Receivable**

	<u>December 31, 2004</u>
Contributions due in:	
Less than one year	\$ 1,008,835.65
One to five years	2,335,002.69
Contributions receivable before unamortized discount	<u>3,343,838.34</u>
Less: Unamortized discount	(320,806.02)
Contributions receivable, net	<u>\$ 3,023,032.32</u>