

THE LADIES' HERMITAGE ASSOCIATION

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

June 30, 2008 and 2007

THE LADIES' HERMITAGE ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
The Ladies' Hermitage Association
Hermitage, Tennessee

We have audited the accompanying statements of financial position of The Ladies' Hermitage Association as of June 30, 2008 and 2007, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. 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 Ladies' Hermitage Association as of June 30, 2008 and 2007, 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of The Ladies' Hermitage Association taken as a whole. The accompanying supplementary information on pages 18 – 20 is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Frasier, Dean & Howard, PLLC

November 26, 2008

THE LADIES' HERMITAGE ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 360,159	\$ 576,027
Accounts and contributions receivable	61,863	62,574
Inventory	287,161	235,570
Prepaid expenses	42,121	44,256
	<hr/>	<hr/>
Total current assets	751,304	918,427
Collections, property and equipment - net	5,613,344	5,902,765
Construction-in-progress	124,206	84,781
Long-term investments	732,511	864,775
Beneficial interest in trust	68,929	70,310
	<hr/>	<hr/>
Total assets	<u>\$ 7,290,294</u>	<u>\$ 7,841,058</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 188,510	\$ 68,032
Deferred revenue and other accrued expenses	6,564	-
Employees' compensation payable	177,081	282,481
Sales tax payable	10,470	12,882
	<hr/>	<hr/>
Total current liabilities	382,625	363,395
Net assets:		
Unrestricted:		
Operating	46,247	304,488
Board designated	6,414,272	6,664,269
	<hr/>	<hr/>
Total unrestricted	6,460,519	6,968,757
Temporarily restricted	383,150	444,906
Permanently restricted	64,000	64,000
	<hr/>	<hr/>
Total net assets	6,907,669	7,477,663
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 7,290,294</u>	<u>\$ 7,841,058</u>

See accompanying notes.

THE LADIES' HERMITAGE ASSOCIATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Admissions	\$ 1,735,278	\$ -	\$ -	\$ 1,735,278
Museum store	723,328	-	-	723,328
Contributions	299,468	49,924	-	349,392
Café and concession sales	259,635	-	-	259,635
Government grant	-	109,666	-	109,666
Programs	101,467	-	-	101,467
Miscellaneous	67,795	-	-	67,795
After-hours events	53,805	-	-	53,805
Vending	26,437	-	-	26,437
Memberships	23,436	-	-	23,436
Investment income	5,409	-	-	5,409
Royalty income	528	-	-	528
Released from restriction	221,346	(221,346)	-	-
Total support and revenue	3,517,932	(61,756)	-	3,456,176
Expenses:				
Program services	2,873,130	-	-	2,873,130
Management and general	978,379	-	-	978,379
Fundraising	174,661	-	-	174,661
Total expenses	4,026,170	-	-	4,026,170
Change in net assets	(508,238)	(61,756)	-	(569,994)
Net assets, beginning of year	6,968,757	444,906	64,000	7,477,663
Net assets, end of year	\$ 6,460,519	\$ 383,150	\$ 64,000	\$ 6,907,669

See accompanying notes.

THE LADIES' HERMITAGE ASSOCIATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Admissions	\$ 1,568,642	\$ -	\$ -	\$ 1,568,642
Museum store	758,281	-	-	758,281
Contributions	326,242	73,873	-	400,115
Café and concession sales	349,109	-	-	349,109
Government grant	-	140,999	-	140,999
Investment income	115,304	-	-	115,304
Programs	109,275	-	-	109,275
After-hours events	81,858	-	-	81,858
Bequest income	-	70,310	-	70,310
Miscellaneous	61,674	-	-	61,674
Memberships	22,535	-	-	22,535
Vending	22,142	-	-	22,142
Royalty income	124	-	-	124
Released from restriction	227,082	(227,082)	-	-
Total support and revenue	<u>3,642,268</u>	<u>58,100</u>	<u>-</u>	<u>3,700,368</u>
Expenses:				
Program services	2,897,525	-	-	2,897,525
Management and general	792,101	-	-	792,101
Fundraising	166,633	-	-	166,633
Total expenses	<u>3,856,259</u>	<u>-</u>	<u>-</u>	<u>3,856,259</u>
Change in net assets	(213,991)	58,100	-	(155,891)
Net assets, beginning of year	<u>7,182,748</u>	<u>386,806</u>	<u>64,000</u>	<u>7,633,554</u>
Net assets, end of year	<u>\$ 6,968,757</u>	<u>\$ 444,906</u>	<u>\$ 64,000</u>	<u>\$ 7,477,663</u>

See accompanying notes.

THE LADIES' HERMITAGE ASSOCIATION
STATEMENTS OF CASH FLOWS
Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Changes in net assets	\$ (569,994)	\$ (155,891)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	337,521	341,092
Net realized and unrealized loss (gain) on investments	142,293	(52,476)
Investment income	(141,423)	(45,867)
Investment fees	6,581	2,351
Changes in operating assets and liabilities:		
Accounts and contributions receivable	711	7,232
Inventories	(51,591)	(10,464)
Prepaid expenses	2,135	1,958
Temporary investments	-	(11,523)
Beneficial interest in trust	1,381	(70,310)
Accounts payable	120,478	45,525
Deferred revenue	6,564	-
Accrued expenses:		
Employees' compensation	(105,400)	174,571
Sales tax	(2,412)	2,523
Net cash (used in) provided by operating activities	<u>(253,156)</u>	<u>228,721</u>
Cash flows from investing activities:		
Property and equipment acquisitions	(48,100)	(137,391)
Construction-in-progress	(39,425)	(84,781)
Purchases of investments	(277,592)	(60,515)
Proceeds from sale of investments	249,193	59,980
Transfer of investments to cash	<u>153,212</u>	<u>36,523</u>
Net cash provided by (used in) investing activities	<u>37,288</u>	<u>(186,184)</u>
Net (decrease) increase in cash and cash equivalents	(215,868)	42,537
Cash and cash equivalents, beginning of year	<u>576,027</u>	<u>533,490</u>
Cash and cash equivalents, end of year	<u><u>\$ 360,159</u></u>	<u><u>\$ 576,027</u></u>

See accompanying notes.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Ladies' Hermitage Association (the "Association"), a non-profit corporation, was incorporated in February 1889, for the purpose of preserving the historical and cultural materials and exhibits related to the life and times of President Andrew Jackson. At such time, the State of Tennessee conveyed the "Hermitage", the historic property consisting of the land, residence, and tomb of President Jackson, in trust to a Board of Trustees to permit and encourage the Association to improve and beautify the property. In 1964, the Association entered into an agreement with family descendants to operate neighboring "Tulip Grove", home of President Jackson's nephew, in a manner similar to the Hermitage. During 1990, pursuant to an agreement reached with the State of Tennessee, the Association was deemed successor in interest to the Board of Trustees and assumed all such board's rights, responsibilities, and liabilities. The historic properties were transferred to the Association, in trust for the people of the State of Tennessee, subject to the following restrictions:

- a. Prohibition of the mortgage, sale, or other transfer of the property,
- b. Maintenance and availability for audit of records and financial accounts in conformity with generally accepted accounting principles,
- c. Submission of plans for construction, alteration, or modification of the properties to the State Architect,
- d. Compliance with State laws and regulations attributable to funds appropriated by the State,
- e. Approval by the State of changes in the Association's by-laws or purchasing procedures, and
- f. Compliance with certain specified financial reporting requirements.

The historic properties may revert to the State of Tennessee, without compensation, only if the Association fails, neglects, or refuses to preserve and beautify the historic properties or fails to comply with the above-mentioned requirements.

Major sources of revenue are admission fees and the sale of souvenirs related to the Hermitage. Since the Association's operations depend upon the tourist trade, they are subject to seasonal fluctuations and other conditions common to this industry.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Accordingly, net assets of the Association, and changes therein are classified and reported as follows:

Unrestricted net assets -- Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets -- Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets -- Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, donors of these assets permit the Association to use all or part of the income earned for general or specific purposes.

Government Grants

Grants received from government agencies are generally recognized to the extent qualifying expenditures have been incurred unless such grants qualify as unconditional contributions.

Contributions

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash (on hand and in demand deposits, savings accounts, and money market accounts) and securities purchased from the Association's bank under repurchase agreements as well as other short-term securities with an original maturity of three months or less when purchased.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Museum store inventory is stated at the lower of cost (first-in, first-out method) or market.

Historic Site, Collections, Property and Equipment

Values attributable to historic sites (transferred to the Association by the State of Tennessee) are not recognized in the financial statements since the values attributable to such historical treasures are generally not measurable in monetary terms. Restoration, property and equipment are stated at cost, less accumulated depreciation. Contributions of property and equipment are reported at their fair value. Depreciation is provided in amounts necessary to allocate the cost of the various classes of assets (other than collections) over their estimated useful lives using the straight-line method. Estimated useful lives of all major classes of assets are as follows:

Residences	10 – 40 years
Other buildings	10 – 40 years
Museum properties	7 – 40 years
Other improvements	5 – 40 years
Equipment	3 – 10 years
Access road	40 years
Farm animals	5 years

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. The unrealized gain or loss on investments is reflected in the statements of activities.

In-Kind Contributions

The Association records various types of in-kind support including contributed materials, equipment and professional services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received.

Additionally, the Association receives a significant amount of contributed time from volunteers which does not meet the recognition criteria described above. Also, members of the Board of Directors have provided substantial assistance to the Association by the donation of time and services. The value of this contribution is not reflected in the financial statements since it is not susceptible to objective measurement or valuation.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("the Code") as a charitable organization. As such, only unrelated business income, as defined by Section 512 (a)(1) of the Code, is subject to federal income tax.

During 2008 and 2007, the Association had no taxable unrelated business income. The Association has been classified as an organization that is not a private foundation under Section 509 (a).

Contributions to the Association qualify for the charitable contributions deduction to the extent provided by Section 170 of the Code.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates that affect the reported amounts of assets and liabilities and reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Functional Expenses

Certain expenses have been allocated between program, management and general and fundraising based on estimates made by management.

Advertising Costs

Advertising costs are charged to expense when incurred. Advertising expense totaled \$42,290 and \$53,415 for the years ended June 30, 2008 and 2007, respectively.

NOTE 2 – ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

Accounts and contributions receivable reflected in current assets consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Trade	\$ 49,530	\$ 25,914
Contributions	-	24,630
Grants	<u>12,333</u>	<u>12,030</u>
	<u>\$ 61,863</u>	<u>\$ 62,574</u>

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable represent unconditional promises to give which are receivable over a period of time. These receivables are deemed to be fully collectible by management.

	<u>2008</u>	<u>2007</u>
Receivable in less than one year	\$ -	\$ 24,630
Receivable in one to five years	-	-
	-	24,630
Less discounts to net present value and allowances	-	-
Net contributions receivable	<u>\$ -</u>	<u>\$ 24,630</u>

Unconditional promises to give are primarily from individuals, foundations and corporations located in the Middle Tennessee area. Balances of contributions receivable in less than one year are considered to approximate fair value. Contributions receivable in one to five years, if any, are reflected at present value of estimated future cash flows using a discount rate of approximately 4%.

NOTE 4 – COLLECTIONS, PROPERTY AND EQUIPMENT

Collections, property and equipment are summarized as follows:

	<u>2008</u>	<u>2007</u>
Depreciable assets:		
Museum properties	\$ 4,345,363	\$ 4,345,363
Residences	170,905	170,905
Other buildings	3,634,092	3,634,092
Equipment	1,013,455	1,006,919
Access road project	66,994	66,994
Other improvements	587,068	552,004
Farm animals	10,500	10,500
	9,828,377	9,786,777
Less accumulated depreciation	<u>(5,656,827)</u>	<u>(5,319,306)</u>
Subtotal	4,171,550	4,467,471
Nondepreciable assets:		
Land	683,467	683,467
Collections	<u>758,327</u>	<u>751,827</u>
	<u>\$ 5,613,344</u>	<u>\$ 5,902,765</u>

Depreciation expense totaled \$337,521 and \$341,092 for the years ended June 30, 2008 and 2007, respectively.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 4 – COLLECTIONS, PROPERTY AND EQUIPMENT (Continued)

Museum properties reflect identifiable acquisition and renovation costs for the Hermitage mansion, the first Hermitage, Tulip Grove mansion, the Hermitage church and other historic buildings on the property.

Residences represent construction costs and subsequent capital improvements to the director's residence and the identifiable costs of renovating certain caretaker residences.

Other buildings consist of capital expenditures for non-historic structures (other than residences), including the Andrew Jackson Center and administrative facilities.

Equipment represents cost of operating equipment.

Access road project represents construction costs attributable to the primary access road to the Hermitage properties.

Other improvements represent costs incurred for improvements to the grounds of the Hermitage and Tulip Grove mansions.

Farm animals represent the value of animals donated to the Hermitage to live on the grounds.

Land represents expenditures incurred in purchasing property adjoining the Hermitage and Tulip Grove tracts.

Collections reflect the accumulated cost of those assets acquired since 1935. Donated collections of material worth are stated at appraised value as of the date of the gift. Collections are not depreciated due to their continuing historical value and continuing preservation.

NOTE 5 – CONSTRUCTION-IN-PROGRESS

Construction-in-progress of \$124,206 and \$84,781 at June 30, 2008 and 2007, respectively, represents the cost of work relating to the new film that is to be viewed by visitors in the Andrew Jackson Center. The film is expected to be completed for viewing during the year ended June 30, 2009.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 6 – LONG-TERM INVESTMENTS

During 1998, the Association placed all of its long-term investments with a financial institution as custodian. Investments are stated at fair value and consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Master note	\$ -	\$ 824
Bonds	253,837	349,391
Equities	<u>478,674</u>	<u>514,560</u>
	<u>\$ 732,511</u>	<u>\$ 864,775</u>
	<u>2008</u>	<u>2007</u>
Components of investment income:		
Interest and dividends from long-term investments	\$ 141,423	\$ 50,954
Net realized and unrealized (loss) gain on long-term investments	<u>(145,626)</u>	<u>53,426</u>
	(4,203)	104,380
Interest and dividends from cash and and cash equivalents	<u>9,612</u>	<u>10,924</u>
	<u>\$ 5,409</u>	<u>\$ 115,304</u>

The Association has developed an investment policy stipulating asset mix, asset quality, asset diversification and investment manager accountability.

Subsequent to June 30, 2008 and through November 26, 2008 the investment market experienced a significant decline in value which materially affected the value of the investments held by the Association.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2008</u>	<u>2007</u>
Presidential library	\$ 241,081	\$ 290,208
Beneficial interest in trust	68,929	70,310
Mansion restoration	17,033	17,033
NEH matching funds	10,540	43,951
NEH interpretive grant	10,384	526
Tourism Cares	10,000	10,000
Cracker Barrel grave memorial markers	9,960	-

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

	<u>2008</u>	<u>2007</u>
Collections acquisition-Jackson's letters and lithograph	7,999	-
Community Foundation	3,500	-
AT&T archaeology grant	2,005	-
Archaeology grant	1,000	-
Sponsored programs	380	886
Tennessee agricultural grant	201	-
Marsha Mullin postcard collection	97	100
Photography equipment funds	41	-
Frist Foundation	-	8,000
Replanting and landscape	-	2,346
Management audit	-	780
State of Tennessee	-	411
Collection purchases	-	280
AJC roof Repair	-	50
IMLS archeology grant	-	25
	<u>\$ 383,150</u>	<u>\$ 444,906</u>

During fiscal 2008 and 2007, temporarily restricted net assets of \$221,346 and \$227,082, respectively, were released from restrictions based on satisfaction of purpose restrictions.

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
General Endowment	\$ 19,000	\$ 19,000
Tulip Grove Endowment	<u>45,000</u>	<u>45,000</u>
Total	<u>\$ 64,000</u>	<u>\$ 64,000</u>

Income earned on endowment investments is generally utilized for general upkeep of the Association's property.

NOTE 9 – BOARD DESIGNATED NET ASSETS

Unrestricted net assets include amounts totaling \$6,414,272 and \$6,664,269 at June 30, 2008 and 2007, respectively, that have been designated by the Board to reflect its fiduciary responsibility to maintain the historic properties in trust, for the State of Tennessee.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 10 – PROFIT SHARING PLAN

Effective January 1, 1997, the Association adopted a qualified profit sharing plan with a 401(k) deferred compensation provision. All employees are eligible to participate in the Association's profit sharing plan and 401(k) plan as long as they have completed one year of service and have attained age 21. The Association makes a discretionary matching contribution equal to a percentage of the amount of the salary reduction deferred by the employee. The amount deferred by the employee may not exceed 15% or the maximum annual amount allowed by law. Expense relating to this plan amounted to \$35,281 and \$35,933 for fiscal years 2008 and 2007, respectively.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Association leases three houses to individuals under arrangements requiring monthly payments to the Association of \$250 each on a month-to-month basis. The Association also provides housing on the Hermitage property to one employee at no cost.

The Association provides part of its land to the Rotary Club of Donelson (the "Club") for use as a youth baseball park, generally at no cost to the Club; however, the Club assesses a \$3 fee per athlete payable to the Association. The agreement extended through December 2007 and has continued thereafter on a month-to-month basis.

The Association entered into a lease agreement with an outside party to cultivate the land. The lease terms commenced January 1, 2007 and extend through January 31, 2011. Income was \$14,773 and \$34,988 during the fiscal years ended June 30, 2008 and 2007, respectively.

The Association has entered into a contract agreement extending to June 30, 2011 with an organization to provide horse-drawn wagon tours. Under this contract, the Association will receive 20% of gross revenue from ticket and special event sales. Revenue recognized under the contract totaled \$28,900 and \$29,700 for the years ended June 30, 2008 and 2007, respectively.

In 1964, the Association was granted a warranty deed to the Tulip Grove property. The terms require the Association to make annual payments based on one-third of the annual admissions income from visitors to Tulip Grove with a minimum payment of \$1,200 annually for a period of ninety-nine years. Title to the property reverts to the grantor if the Association fails to make such payments. Total payments amounted to \$1,200 each year during the fiscal years ended June 30, 2008 and 2007, respectively. During fiscal year 2007, the Association was named as the defendant in a lawsuit claiming that the Tulip Grove property should revert to the grantor. The lawsuit asserts that the Association has not made proper payments. At this time, the ultimate outcome of this lawsuit cannot be determined. However, the Association's management and legal council believe that substantial defenses exist to the claims made.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

The Association has entered into an agreement with a furniture manufacturer to reproduce a limited edition of Hermitage furniture, including 300 candle stands, 100 washstands, and 100 shaving mirrors to be sold to the Hermitage at established wholesale prices for resale to the general public. According to the contract, the Association paid fifty percent of the total wholesale costs in the amount of \$158,500; \$34,048 remains as prepaid assets at June 30, 2008. The remaining costs are to be paid at the time of sale and subsequent delivery of furniture from the manufacturer. In the event the Association cannot sell the furniture, the furniture may be sold by the manufacturer, at which time the Association can recoup its manufacturing costs plus receive a 5% royalty on items sold.

In October 2002, the Association entered into a contract with the State of Tennessee to lease approximately 457 acres adjacent to the Hermitage property. Under the agreement, the Association will receive the land at no cost. The contract extends through October 2032.

NOTE 12 – CONCENTRATION OF CREDIT RISK

The Association maintains its cash and temporary investments in bank deposit accounts at high credit quality institutions. The balances, at times, may exceed federally insured limits. The Association has not experienced any losses in such amounts and does not believe it is exposed to any significant concentration of credit risk.

NOTE 13 – IN-KIND CONTRIBUTIONS

The Association received contributed goods and services during the year that required specialized skills and would have been purchased if not provided by the donor. Goods and services are recorded at their fair value on the date of donation.

In-kind contributions amounted to the following during the year ended June 30:

	<u>2008</u>	<u>2007</u>
Donations for fundraisers	\$ <u>29,305</u>	\$ <u>53,009</u>

NOTE 14 – GRANTS

In September 2004, the Association was awarded a \$225,000 grant from the National Endowment for the Humanities for historic site-wide interpretation. During fiscal 2008, the Association recognized \$53,823 of revenue and expense under this grant. During fiscal 2007, the Association recognized revenue of \$43,617 and expense of \$44,273 under this grant. As of June 30, 2008, the Association has collected and expended all required matching funds under this grant.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 14 – GRANTS (Continued)

During July 2006, the Association was awarded a \$68,780 grant from the Institute of Museum and Library Services for archeological processing of artifacts. During the year ended June 30, 2008, the Association recognized revenue of \$34,391 and expenses of \$34,416 under this grant. During the year ended June 30, 2007, the Association recognized revenue of \$9,350 and expenses of \$9,325 under this grant.

In April 2007, the Association was awarded an \$84,500 grant from the Metro Nashville Council for roof repairs on the Andrew Jackson Center, a new security truck, an architect for mansion repairs, and for the archeology program. During the year ended June 30, 2007, the Association recognized revenue and expended the entire \$84,500.

In June 2007, the Association was awarded a \$17,029 grant from the State of Tennessee for agricultural use. During fiscal 2008, the Association recognized revenue of \$1,828 and expense of \$1,627. During fiscal 2007, the Association recognized revenue of \$3,532 and expense of the same amount.

In August 2007, the Association was awarded a \$1,000,000 grant from the State of Tennessee for preservation and restoration of the Hermitage Mansion. During fiscal 2008, the Association recognized revenue of \$17,337 and expense of the same amount.

SUPPLEMENTARY INFORMATION

THE LADIES' HERMITAGE ASSOCIATION
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2008

Assets	Operations		Site		Endowment		Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Permanently Restricted	
Current assets:							
Cash and cash equivalents	\$ 360,159	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 360,159
Accounts receivable:							
Trade	49,530	-	-	-	-	-	49,530
Grants	-	-	-	12,333	-	-	12,333
Interfund receivable (payable)	(33,968)	-	-	33,968	-	-	-
Inventories	287,161	-	-	-	-	-	287,161
Prepaid expenses	42,121	-	-	-	-	-	42,121
Total current assets	705,003	-	-	46,301	-	-	751,304
Collections, property, and equipment	5,613,344	-	-	-	-	-	5,613,344
Construction-in-progress	124,206	-	-	-	-	-	124,206
Long-term investments	326,574	-	74,017	267,920	-	64,000	732,511
Beneficial interest in trust	-	-	-	68,929	-	-	68,929
	\$ 6,769,127	\$ -	\$ 74,017	\$ 383,150	\$ -	\$ 64,000	\$ 7,290,294
Liabilities and Net Assets							
Current liabilities:							
Accounts payable	\$ 188,510	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,510
Deferred revenue and other							
accrued expenses	6,564	-	-	-	-	-	6,564
Employees compensation payable	177,081	-	-	-	-	-	177,081
Sales taxes payable	10,470	-	-	-	-	-	10,470
Total current liabilities	382,625	-	-	-	-	-	382,625
Net assets:							
Unrestricted:							
Operating	46,247	-	-	-	-	-	46,247
Board designated	6,340,255	-	74,017	-	-	-	6,414,272
Temporarily restricted	-	-	-	383,150	-	-	383,150
Permanently restricted	-	-	-	-	-	64,000	64,000
Total net assets	6,386,502	-	74,017	383,150	-	64,000	6,907,669
	\$ 6,769,127	\$ -	\$ 74,017	\$ 383,150	\$ -	\$ 64,000	\$ 7,290,294

THE LADIES' HERMITAGE ASSOCIATION
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended June 30, 2008

	Operations		Site		Endowment	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Permanently Restricted
Support and revenue:						
Admissions	\$ 1,735,278	\$ -	\$ -	\$ -	\$ -	\$ -
Museum store	723,328	-	-	-	-	-
Contributions	299,468	-	-	49,924	-	-
Café and concession sales	259,635	-	-	-	-	-
Government grant	-	-	-	109,666	-	-
Investment income	101,467	-	-	-	-	-
Programs	67,795	-	-	-	-	-
After-hours events	53,805	-	-	-	-	-
Miscellaneous	26,437	-	-	-	-	-
Memberships	23,436	-	-	-	-	-
Vending	5,409	-	-	-	-	-
Royalty income	528	-	-	-	-	-
Released from restriction	221,346	-	-	(221,346)	-	-
Total support and revenue	3,517,932	-	-	(61,756)	-	-
Expenses:						
Program services	2,689,280	-	183,850	-	-	-
Management and general	976,998	-	1,381	-	-	-
Fundraising	174,661	-	-	-	-	-
Total expenses	3,840,939	-	185,231	-	-	-
Changes in net assets	(323,007)	-	(185,231)	(61,756)	-	-
Transfers	-	-	-	-	-	-
Net assets, beginning of year	6,692,790	-	275,967	444,906	-	64,000
Net assets, end of year	\$ 6,369,783	\$ -	\$ 90,736	\$ 383,150	\$ -	\$ 64,000

THE LADIES' HERMITAGE ASSOCIATION
SCHEDULE OF FUNCTIONAL EXPENSES
Year ended June 30, 2008

	Program Services	Management and General	Fund Raising	Total
Operating:				
Buildings and maintenance	\$ 459,642	\$ 131,410	\$ -	\$ 591,052
Museum store	480,414	-	-	480,414
Administration overhead	-	360,806	-	360,806
Depreciation	303,769	33,752	-	337,521
Security	283,187	-	-	283,187
Café	282,543	-	-	282,543
Finance and office services	-	226,662	-	226,662
Public programs - interpretation	226,186	-	-	226,186
Marketing, public relations and sales	-	189,254	-	189,254
Gardens and grounds	187,944	-	-	187,944
Development	-	-	135,073	135,073
Public programs - education	104,900	-	-	104,900
Collections	100,745	-	-	100,745
Visitor services - ticket office	90,998	-	-	90,998
Archeology	82,304	-	-	82,304
Other	55,941	-	-	55,941
Executive Director's office	21,921	21,921	4,871	48,713
In-kind donations	-	-	29,305	29,305
Membership functions	5,412	5,412	5,412	16,236
Investment expense	-	6,581	-	6,581
Board functions	1,919	-	-	1,919
Farm operations	1,455	-	-	1,455
Tulip Grove lease	-	1,200	-	1,200
Operating fund expense totals	<u>2,689,280</u>	<u>976,998</u>	<u>174,661</u>	<u>3,840,939</u>
Site:				
NEH	84,877	-	-	84,877
Presidential library	50,000	-	-	50,000
State of TN appropriation-2008	17,337	-	-	17,337
IMLS	29,712	-	-	29,712
Other	1,924	1,381	-	3,305
Site fund expense totals	<u>183,850</u>	<u>1,381</u>	<u>-</u>	<u>185,231</u>
Endowment:				
Investment expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment fund expense totals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 2,873,130</u>	<u>\$ 978,379</u>	<u>\$ 174,661</u>	<u>\$ 4,026,170</u>