

THE LADIES' HERMITAGE ASSOCIATION

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

June 30, 2007 and 2006

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CERTIFIED PUBLIC ACCOUNTANTS

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PHONE 615-383-6592, FAX 615-383-7094**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying statements of financial position of The Ladies' Hermitage Association as of June 30, 2007 and 2006, 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, 2007 and 2006, 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.

Fraser, Dean & Howard, PLLC

September 17, 2007

THE LADIES' HERMITAGE ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 539,504	\$ 533,490
Temporary investments	36,523	25,000
Accounts and contributions receivable	62,574	69,806
Inventories	235,570	225,106
Prepaid expenses	44,256	46,214
Total current assets	918,427	899,616
Collections, property and equipment - net	5,902,765	6,106,466
Construction-in-progress	84,781	-
Long-term investments	864,775	768,248
Beneficial interest in trust	70,310	-
Total assets	<u>\$ 7,841,058</u>	<u>\$ 7,774,330</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 68,032	\$ 22,507
Accrued expenses:		
Employees' compensation	282,481	107,910
Sales tax	12,882	10,359
Total current liabilities	363,395	140,776
Net assets:		
Unrestricted:		
Operating	304,488	399,559
Board designated	6,664,269	6,783,189
Temporarily restricted	444,906	386,806
Permanently restricted	64,000	64,000
Total net assets	7,477,663	7,633,554
Total liabilities and net assets	<u>\$ 7,841,058</u>	<u>\$ 7,774,330</u>

See accompanying notes.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	3,642,268	58,100	-	3,700,368
Expenses:				
Program services	2,897,525	-	-	2,897,525
Management and general	792,101	-	-	792,101
Fundraising	166,633	-	-	166,633
Total expenses	3,856,259	-	-	3,856,259
Change in net assets	(213,991)	58,100	-	(155,891)
Net assets beginning of year	7,182,748	386,806	64,000	7,633,554
Net assets end of year	\$ 6,968,757	\$ 444,906	\$ 64,000	\$ 7,477,663

See accompanying notes.

THE LADIES' HERMITAGE ASSOCIATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Admissions	\$ 1,380,267	\$ -	\$ -	\$ 1,380,267
Museum store	720,851	-	-	720,851
Contributions	193,932	360,980	1,000	555,912
Café and concession sales	140,914	-	-	140,914
Programs	93,421	-	-	93,421
Government grant	60,000	8,802	-	68,802
Investment income	56,226	-	-	56,226
After-hours events	53,750	-	-	53,750
Miscellaneous	49,845	-	-	49,845
Memberships	33,131	-	-	33,131
Restaurant lease	18,795	-	-	18,795
Vending	18,154	-	-	18,154
Royalty income	119	-	-	119
Released from restriction	85,227	(85,227)	-	-
Total support and revenue	<u>2,904,632</u>	<u>284,555</u>	<u>1,000</u>	<u>3,190,187</u>
Expenses:				
Program services	2,507,326	-	-	2,507,326
Management and general	637,919	-	-	637,919
Fundraising	81,218	-	-	81,218
Total expenses	<u>3,226,463</u>	<u>-</u>	<u>-</u>	<u>3,226,463</u>
Change in net assets	(321,831)	284,555	1,000	(36,276)
Net assets beginning of year	<u>7,504,579</u>	<u>102,251</u>	<u>63,000</u>	<u>7,669,830</u>
Net assets end of year	<u>\$ 7,182,748</u>	<u>\$ 386,806</u>	<u>\$ 64,000</u>	<u>\$ 7,633,554</u>

See accompanying notes.

THE LADIES' HERMITAGE ASSOCIATION
STATEMENTS OF CASH FLOWS
Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Changes in net assets	\$ (155,891)	\$ (36,276)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	341,092	348,442
Net realized and unrealized (gain) loss on investments	(52,476)	(11,760)
Investment income	(45,867)	(32,867)
Investment fees	2,351	4,077
Change in operating assets and liabilities:		
Temporary investments	(11,523)	-
Beneficial interest in trust	(70,310)	-
Accounts and contributions receivable	7,232	13,572
Inventories	(10,464)	(24,797)
Prepaid expenses	1,958	(4,710)
Accounts payable	45,525	(8,556)
Accrued expenses:		
Employee's compensation	174,571	27,929
Sales tax	2,523	2,641
Net cash provided by operating activities	<u>228,721</u>	<u>277,695</u>
Cash flows from investing activities:		
Property and equipment acquisitions	(137,391)	(52,079)
Construction-in-progress	(84,781)	(36,281)
Purchase of investments	(60,515)	(50,546)
Proceeds from sale of investments	<u>59,980</u>	<u>44,763</u>
Net cash used by investing activities	<u>(222,707)</u>	<u>(94,143)</u>
Net increase in cash and cash equivalents	6,014	183,552
Cash and cash equivalents, beginning of year	<u>533,490</u>	<u>349,938</u>
Cash and cash equivalents, end of year	<u>\$ 539,504</u>	<u>\$ 533,490</u>
Noncash investing activity:		
Transfer of construction-in-progress to property and equipment	<u>\$ -</u>	<u>\$ 543,264</u>

See accompanying notes.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

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.

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

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for 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 statement 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.

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 statement 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.

Temporary Investments

Temporary investments consist of certificates of deposit and savings accounts. Certificates of deposit and savings accounts are stated at cost, which approximates fair value.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory – Museum Store

Museum store inventories are 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 statement 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. Accordingly, the value of this contributed time approximating 2,500 hours, which does not include additional time contributed by the Association's board of directors, is not reflected in the accompanying financial statements.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

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 2007 and 2006, 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 Internal Revenue 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 operations when incurred. Advertising expense totaled \$53,415 and \$50,242 for the years ended June 30, 2007 and 2006, respectively.

Reclassifications

Certain reclassifications have been made to 2006 balances to conform with 2007 presentation.

NOTE 2 – ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

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

	<u>2007</u>	<u>2006</u>
Trade	\$ 25,914	\$ 59,806
Contributions	24,630	5,000
Grants	<u>12,030</u>	<u>5,000</u>
	<u>\$ 62,574</u>	<u>\$ 69,806</u>

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

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>2007</u>	<u>2006</u>
Receivable in less than one year	\$ 24,630	\$ 5,000
Receivable in one to five years	-	-
	<u>24,630</u>	<u>5,000</u>
Less discounts to net present value and allowances	-	-
Net contributions receivable	<u>\$ 24,630</u>	<u>\$ 5,000</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 6%.

NOTE 4 – COLLECTIONS, PROPERTY AND EQUIPMENT

Collections, property and equipment are summarized as follows:

	<u>2007</u>	<u>2006</u>
Depreciable assets:		
Museum properties	\$ 4,345,363	\$ 4,329,216
Residences	170,905	168,348
Other buildings	3,684,369	3,634,092
Equipment	1,006,919	935,509
Access road project	66,994	66,994
Other improvements	501,727	501,727
Farm animals	<u>10,500</u>	<u>10,500</u>
	9,786,777	9,646,386
Less accumulated depreciation	<u>(5,319,306)</u>	<u>(4,978,214)</u>
Subtotal	<u>4,467,471</u>	<u>4,668,172</u>
Nondepreciable assets:		
Land	683,467	683,467
Collections	<u>751,827</u>	<u>754,827</u>
	<u>\$ 5,902,765</u>	<u>\$ 6,106,466</u>

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

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 \$84,781 at June 30, 2007 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, 2008.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

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>2007</u>	<u>2006</u>
Master note	\$ 824	\$ 817
Bonds	349,391	303,908
Common stocks	<u>514,560</u>	<u>463,523</u>
	<u>\$ 864,775</u>	<u>\$ 768,248</u>
	<u>2007</u>	<u>2006</u>
Components of investment income:		
Interest and dividends from long-term investments	\$ 53,426	\$ 11,764
Net realized and unrealized gain (loss) on long-term investments	<u>50,954</u>	<u>38,649</u>
	104,380	50,413
Interest and dividends from cash and and cash equivalents	<u>10,924</u>	<u>5,813</u>
	<u>\$ 115,304</u>	<u>\$ 56,226</u>

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

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2007</u>	<u>2006</u>
Presidential library	\$ 290,208	\$ 350,000
Beneficial interest in trust	70,310	-
NEH Matching Funds	43,951	3,951
Mansion restoration	17,033	21,782
Tourism Cares	10,000	-
Frist Foundation	8,000	-
Replanting and landscape	2,346	6,177
Sponsored programs	886	1,021
Management Audit	780	-
NEH Interpretive Grant	526	1,182
State of Tennessee	411	411
Collection purchases	280	440

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

	<u>2007</u>	<u>2006</u>
Marsha Mullin Postcard Collection	100	100
AJC Roof Repair	50	-
IMLS Archeology Grant	25	-
Cemetery	-	990
Map Survey	-	370
National Trust – First Hermitage	-	282
Brandywine Women's Club	-	100
	<u>\$ 444,906</u>	<u>\$ 386,806</u>

During fiscal 2007 and 2006, temporarily restricted net assets of \$227,082 and \$85,227, 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>2007</u>	<u>2006</u>
General Endowment	\$ 19,000	\$ 19,000
Tulip Grove Endowment	45,000	45,000
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 \$6,704,775 and \$6,783,189 at June 30, 2007 and 2006, 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.

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 \$35,933 and \$30,270 for fiscal years 2007 and 2006, respectively.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

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 two employees 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 Rotary Club assesses a \$3 fee per athlete payable to the Association. The agreement extends through December 2007.

The Association entered into a lease agreement with an outside party to cultivate the land. The lease terms commenced January 1, 2007 and extends through January 31, 2011. Income was \$34,988 and \$32,470 during the fiscal years ended June 30, 2007 and 2006, respectively.

The Association has entered into a contract agreement extending to December 30, 2008 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 during fiscal 2007 totaled \$29,700 and during fiscal 2006 totaled \$20,100.

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, 2007 and 2006, 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 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 and \$34,048 remains as prepaid assets. The remaining costs are to be paid at the time of sale and subsequent delivery of furniture from 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.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

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 accounts. Management believes the Association is not exposed to any significant credit risk related to cash and temporary investments.

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>2007</u>	<u>2006</u>
Catering and meeting room facilities	\$ -	\$ 4,643
Donations for fundraisers	53,009	480
Equipment	-	300
Collection items	<u>-</u>	<u>35</u>
	<u>\$ 53,009</u>	<u>\$ 5,458</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 2006, the Association recognized revenue of \$2,583 and expense of \$1,401 under this grant. During fiscal 2007, the Association recognized revenue of \$43,617 and expense of \$44,273 under this grant. The Association must provide matching funds of \$209,000 under this grant.

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, 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 expense of 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 2007, the Association recognized revenue of \$3,532 and expense of the same amount.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 15 – SUBSEQUENT EVENT

Effective August 16, 2007, the Association has been awarded a \$1,000,000 grant from the State of Tennessee for preservation and restoration of the Hermitage Mansion. The grant contract shall be effective for the period commencing on September 1, 2007 and ending on August 31, 2010.