

THE LADIES' HERMITAGE ASSOCIATION

FINANCIAL STATEMENTS

June 30, 2009 and 2008

THE LADIES' HERMITAGE ASSOCIATION

TABLE OF CONTENTS

Independent Auditor's Report.....	2
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets	4 – 5
Statements of Functional Expenses.....	6 – 7
Statements of Cash Flows	8
Notes to Financial Statements	9 – 19



FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550
NASHVILLE, TENNESSEE 37203
PHONE 615-383-6592, FAX 615-383-7094

INDEPENDENT AUDITOR'S REPORT

To 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, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses 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, 2009 and 2008, and the changes in its net assets, functional expenses and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

October 16, 2009

THE LADIES' HERMITAGE ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 238,180	\$ 360,159
Accounts and contributions receivable	134,324	61,863
Inventory	247,857	287,161
Prepaid expenses	45,319	42,121
Total current assets	665,680	751,304
Collections, property and equipment, net of accumulated depreciation of \$5,983,722 and \$5,656,827, respectively	5,622,072	5,613,344
Construction-in-progress	46,228	124,206
Long-term investments	414,280	732,511
Beneficial interest in trust	90,636	68,929
Total assets	<u>\$ 6,838,896</u>	<u>\$ 7,290,294</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 211,786	\$ 188,510
Deferred revenue and other accrued expenses	4,530	6,564
Employees' compensation payable	134,147	177,081
Sales tax payable	10,935	10,470
Total current liabilities	361,398	382,625
Net assets:		
Unrestricted:		
Operating	568,277	722,969
Board designated	5,668,300	5,737,550
Total unrestricted	6,236,577	6,460,519
Temporarily restricted	175,921	383,150
Permanently restricted	65,000	64,000
Total net assets	6,477,498	6,907,669
Total liabilities and net assets	<u>\$ 6,838,896</u>	<u>\$ 7,290,294</u>

See accompanying notes.

THE LADIES' HERMITAGE ASSOCIATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Admissions	\$ 1,824,658	\$ -	\$ -	\$ 1,824,658
Museum store	596,121	-	-	596,121
Contributions	343,148	33,819	1,000	377,967
Café and concession sales	240,963	-	-	240,963
Government grant	365,224	116,107	-	481,331
Programs	101,998	-	-	101,998
Miscellaneous	68,476	-	-	68,476
After-hours events	49,901	-	-	49,901
Vending	23,006	-	-	23,006
Memberships	13,818	-	-	13,818
Royalty income	60	-	-	60
Remainder trust income	-	21,707	-	21,707
Released from restriction	378,862	(378,862)	-	-
Investment loss	(107,465)	-	-	(107,465)
Total support and revenue	<u>3,898,770</u>	<u>(207,229)</u>	<u>1,000</u>	<u>3,692,541</u>
Expenses:				
Program services	3,060,335	-	-	3,060,335
Management and general	900,053	-	-	900,053
Fundraising	162,324	-	-	162,324
Total expenses	<u>4,122,712</u>	<u>-</u>	<u>-</u>	<u>4,122,712</u>
Change in net assets	(223,942)	(207,229)	1,000	(430,171)
Net assets, beginning of year	<u>6,460,519</u>	<u>383,150</u>	<u>64,000</u>	<u>6,907,669</u>
Net assets, end of year	<u>\$ 6,236,577</u>	<u>\$ 175,921</u>	<u>\$ 65,000</u>	<u>\$ 6,477,498</u>

See accompanying notes.

THE LADIES' HERMITAGE ASSOCIATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the 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 FUNCTIONAL EXPENSES
For the Year Ended June 30, 2009

	Program Services	Management and General	Fund Raising	Total
Buildings and maintenance	\$ 521,194	\$ 130,298	\$ -	\$ 651,492
Museum store	413,330	-	-	413,330
Administration overhead	-	404,598	-	404,598
Depreciation	294,206	32,690	-	326,896
Public programs - interpretation	302,953	-	-	302,953
Security	271,143	-	-	271,143
Archeology	254,668	-	-	254,668
Marketing, public relations and sales	-	247,482	-	247,482
Café	241,868	-	-	241,868
Gardens and grounds	222,099	-	-	222,099
Other	195,397	-	-	195,397
Development	-	-	144,623	144,623
Executive Director's office	70,209	70,209	15,602	156,020
Collections	105,759	-	-	105,759
Visitor services - ticket office	84,158	-	-	84,158
Public programs - education	81,251	-	-	81,251
Tulip Grove lease	-	7,475	-	7,475
Membership functions	2,100	2,099	2,099	6,298
Investment expense	-	5,202	-	5,202
Total expenses	\$ 3,060,335	\$ 900,053	\$ 162,324	\$ 4,122,712

See accompanying notes.

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

	Program Services	Management and General	Fund Raising	Total
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
NEH	84,877	-	-	84,877
Archeology	82,304	-	-	82,304
Other	55,941	-	-	55,941
Presidential library	50,000	-	-	50,000
Executive Director's office	21,921	21,921	4,871	48,713
IMLS	29,712	-	-	29,712
In-kind donations	-	-	29,305	29,305
State of Tennessee appropriation-2008	17,337	-	-	17,337
Membership functions	5,412	5,412	5,412	16,236
Investment expense	-	6,581	-	6,581
Other	1,924	1,381	-	3,305
Board functions	1,919	-	-	1,919
Farm operations	1,455	-	-	1,455
Tulip Grove lease	-	1,200	-	1,200
Total expenses	\$ 2,873,130	\$ 978,379	\$ 174,661	\$ 4,026,170

See accompanying notes.

THE LADIES' HERMITAGE ASSOCIATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Changes in net assets	\$ (430,171)	\$ (569,994)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	326,896	337,521
Net realized and unrealized loss on investments	131,814	142,293
Investment income	(24,349)	(141,423)
Investment fees	5,202	6,581
Changes in operating assets and liabilities:		
Accounts and contributions receivable	(72,461)	711
Inventories	39,304	(51,591)
Prepaid expenses	(3,198)	2,135
Beneficial interest in trust	(21,707)	1,381
Accounts payable	23,276	120,478
Deferred revenue	(2,034)	6,564
Accrued expenses:		
Employees' compensation	(42,934)	(105,400)
Sales tax	465	(2,412)
Net cash used in operating activities	<u>(69,897)</u>	<u>(253,156)</u>
Cash flows from investing activities:		
Property and equipment acquisitions	(174,718)	(48,100)
Construction-in-progress acquisitions	(82,928)	(39,425)
Purchases of investments	-	(277,592)
Proceeds from sale of investments	-	249,193
Proceeds from sales of investments	<u>205,564</u>	<u>153,212</u>
Net cash (used in) provided by investing activities	<u>(52,082)</u>	<u>37,288</u>
Net decrease in cash and cash equivalents	(121,979)	(215,868)
Cash and cash equivalents, beginning of year	<u>360,159</u>	<u>576,027</u>
Cash and cash equivalents, end of year	<u><u>\$ 238,180</u></u>	<u><u>\$ 360,159</u></u>

See accompanying notes.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

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, 2009 and 2008

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. In accordance with SFAS 117.1, the Board of Directors of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. As of June 30, 2009 and 2008, the Association does not maintain significant balances of permanently restricted net assets.

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.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Inventory

Museum store inventory is stated at the lower of cost (average cost) 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 statements 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.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions (Continued)

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.

Income Taxes

The Association is exempt from federal income taxes under Section 501©(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 fiscal years 2009 and 2008, 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 \$67,960 and \$42,290 for the years ended June 30, 2009 and 2008, respectively.

Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform with the 2009 presentation, including classification of net assets.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 2 – ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

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

	<u>2009</u>	<u>2008</u>
Trade	\$ 38,167	\$ 49,530
Contributions	-	-
Grants	<u>96,157</u>	<u>12,333</u>
	<u>\$ 134,324</u>	<u>\$ 61,863</u>

NOTE 3 – COLLECTIONS, PROPERTY AND EQUIPMENT

Collections, property and equipment are summarized as follows:

	<u>2009</u>	<u>2008</u>
Depreciable assets:		
Museum properties	\$ 4,345,363	\$ 4,345,363
Residences	170,905	170,905
Other buildings	3,636,873	3,634,092
Equipment	1,295,492	1,013,455
Access road project	66,994	66,994
Other improvements	636,033	587,068
Farm animals	<u>10,500</u>	<u>10,500</u>
	10,162,160	9,828,377
Less accumulated depreciation	<u>(5,983,722)</u>	<u>(5,656,827)</u>
Subtotal	4,178,438	4,171,550
Nondepreciable assets:		
Land	683,467	683,467
Collections	<u>760,167</u>	<u>758,327</u>
	<u>\$ 5,622,072</u>	<u>\$ 5,613,344</u>

Depreciation expense totaled \$326,896 and \$337,521 for the years ended June 30, 2009 and 2008, respectively.

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.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 3 – COLLECTIONS, PROPERTY AND EQUIPMENT (Continued)

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 4 – CONSTRUCTION-IN-PROGRESS

Construction-in-progress of \$46,228 at June 30, 2009 represents the cost to purchase and implement new software. The software conversion is expected to be completed during the year ending June 30, 2010.

Construction-in-progress of \$124,206 at June 30, 2008 represented the cost of work relating to the introductory film that is to be viewed by visitors in the Andrew Jackson Center. The film was completed and became operational during the year ended June 30, 2009.

NOTE 5 – 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>2009</u>	<u>2008</u>
Bonds	\$ 206,461	\$ 253,837
Equities	<u>207,819</u>	<u>478,674</u>
	<u>\$ 414,280</u>	<u>\$ 732,511</u>

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 5 – LONG-TERM INVESTMENTS (Continued)

	<u>2009</u>	<u>2008</u>
Components of investment income:		
Interest and dividends from long-term investments	\$ 7,001	\$ 141,423
Net realized and unrealized (loss) gain on long-term investments	<u>(131,814)</u> (124,813)	<u>(145,626)</u> (4,203)
Interest and dividends from cash and and cash equivalents	<u>17,348</u>	<u>9,612</u>
	<u>\$ (107,465)</u>	<u>\$ 5,409</u>

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

Basis of fair value measurement for investments consist of the following at June 30:

	<u>2009</u>		<u>2008</u>	
	Quoted Prices in Active Markets for Fair Market Value		Quoted Prices in Active Markets for Fair Market Value	
	Identical Items (Level 1)		Identical Items (Level 1)	
Bonds	\$ 206,461	\$ 206,461	\$ 253,837	\$ 253,837
Equities	<u>207,819</u>	<u>207,819</u>	<u>478,674</u>	<u>478,674</u>
	<u>\$ 414,280</u>	<u>\$ 414,280</u>	<u>\$ 732,511</u>	<u>\$ 732,511</u>

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2009</u>	<u>2008</u>
Beneficial interest in trust	\$ 90,636	\$ 68,929
Presidential library	31,803	241,081
NEH matching funds	22,400	10,540
Mansion restoration	19,403	17,033
Collections acquisition-Jackson's letters and lithograph	6,256	7,999

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

	<u>2009</u>	<u>2008</u>
Chandelier repair	1,700	-
Metric drawings	1,500	-
Replanting and landscape	1,170	-
Picnic tables	749	-
Tennessee agricultural grant	201	201
Archaeology grant	62	1,000
Photography equipment funds	41	41
NEH interpretive grant	-	10,384
Tourism Cares	-	10,000
Cracker Barrel grave memorial markers	-	9,960
Community Foundation	-	3,500
AT&T archaeology grant	-	2,005
Sponsored programs	-	380
Marsha Mullin postcard collection	-	97
	<u>\$ 175,921</u>	<u>\$ 383,150</u>

During fiscal 2009 and 2008, temporarily restricted net assets of \$378,862 and \$221,346, respectively, were released from restrictions based on satisfaction of purpose restrictions.

NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2009</u>	<u>2008</u>
General Endowment	\$ 20,000	\$ 19,000
Tulip Grove Endowment	45,000	45,000
Total	<u>\$ 65,000</u>	<u>\$ 64,000</u>

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

NOTE 8 – BOARD DESIGNATED NET ASSETS

Unrestricted net assets include amounts totaling \$5,668,300 and \$5,737,550 at June 30, 2009 and 2008, 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, 2009 and 2008

NOTE 9 – 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 \$32,073 and \$35,281 for fiscal years 2009 and 2008, respectively.

NOTE 10 – 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 \$29,545 and \$14,773 during the fiscal years ended June 30, 2009 and 2008, 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 \$43,337 and \$28,866 for the years ended June 30, 2009 and 2008, 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, 2009 and 2008, 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 counsel believe that substantial defenses exist to the claims made.

During July 2009, the Association was named as the dependent in a lawsuit claiming wrongful dismissal by a prior employee. At this time, the ultimate outcome of this lawsuit cannot be determined. However, the Association's management and legal counsel believe that substantial defenses exist to claims made.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 10 – 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, 2009 and 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 11 – 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. However, cash balances were within federally insured limits at June 30, 2009 and 2008.

NOTE 12 – 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>2009</u>	<u>2008</u>
Donations of equipment and services	\$ 30,083	\$ -
Donations for fundraisers	<u>20,160</u>	<u>29,305</u>
Total	<u>\$ 50,243</u>	<u>\$ 29,305</u>

NOTE 13 – 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 2009, the Association recognized \$109,759 of revenue and expense under this grant. During fiscal 2008, the Association recognized \$53,823 of revenue and expense under this grant. As of June 30, 2009, the Association has collected and expended all required matching funds under this grant.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 13 – 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, 2009, the Association recognized revenue and expense of \$25,039 under this grant. During the year ended June 30, 2008, the Association recognized revenue of \$34,391 and expenses of \$34,416 under this grant.

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 2009, the Association recognized revenue and expense of \$212,380. During fiscal 2008, the Association recognized revenue of \$17,337 and expense of the same amount.