

THE LADIES' HERMITAGE ASSOCIATION

FINANCIAL STATEMENTS

June 30, 2005 and 2004

TABLE OF CONTENTS

Independent Auditor's Report	2
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities	4 – 5
Statements of Cash Flows	6
Notes to Financial Statements	7 – 17



FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550
NASHVILLE, TENNESSEE 37203
PHONE 615-383-6582 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, 2005 and 2004, and the related statements of activities 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, 2005 and 2004, 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

August 19, 2005

THE LADIES' HERMITAGE ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 330,902	\$ 302,517
Temporary investments	44,036	43,574
Accounts and contributions receivable	83,378	312,012
Inventories	200,309	211,560
Prepaid expenses	<u>41,504</u>	<u>55,175</u>
Total current assets	700,129	924,838
Collections, property and equipment - net	5,859,564	5,595,526
Construction-in-progress	506,984	482,415
Long-term investments	<u>721,915</u>	<u>788,504</u>
Total assets	<u><u>\$ 7,788,592</u></u>	<u><u>\$ 7,791,283</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 31,063	\$ 32,019
Accrued expenses:		
Employees' compensation	79,981	67,834
Sales tax	<u>7,718</u>	<u>7,877</u>
Total current liabilities	118,762	107,730
Net assets:		
Unrestricted:		
Operating	259,204	377,505
Board designated	6,942,217	6,653,610
Board designated - membership	303,158	299,037
Temporarily restricted	102,251	291,401
Permanently restricted	<u>63,000</u>	<u>62,000</u>
Total net assets	<u>7,669,830</u>	<u>7,683,553</u>
Total liabilities and net assets	<u><u>\$ 7,788,592</u></u>	<u><u>\$ 7,791,283</u></u>

See accompanying notes.

THE LADIES' HERMITAGE ASSOCIATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Admissions	\$ 1,381,273	\$ -	\$ -	\$ 1,381,273
Museum store	746,642	-	-	746,642
Government grants	385,422	-	-	385,422
Contributions	211,775	69,370	1,000	282,145
After-hours events	61,759	-	-	61,759
Programs	96,597	-	-	96,597
Miscellaneous	59,993	-	-	59,993
Memberships	23,470	-	-	23,470
Vending	20,836	-	-	20,836
Restaurant lease	27,375	-	-	27,375
Investment income	42,764	-	-	42,764
Royalty income	105	-	-	105
Released from restriction	258,520	(258,520)	-	-
Total support and revenue	3,316,531	(189,150)	1,000	3,128,381
Expenses:				
Program services	2,516,360	-	-	2,516,360
Management and general	558,014	-	-	558,014
Fundraising	67,730	-	-	67,730
Total expenses	3,142,104	-	-	3,142,104
Change in net assets	174,427	(189,150)	1,000	(13,723)
Net assets beginning of year	7,330,152	291,401	62,000	7,683,553
Net assets end of year	\$ 7,504,579	\$ 102,251	\$ 63,000	\$ 7,669,830

See accompanying notes.

THE LADIES' HERMITAGE ASSOCIATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Admissions	\$ 1,454,972	\$ -	\$ -	\$ 1,454,972
Museum store	781,168	-	-	781,168
Government grant	441,854	-	-	441,854
Contributions	327,678	71,059	-	398,737
After-hours events	68,244	-	-	68,244
Memberships	22,235	-	-	22,235
Programs	52,509	-	-	52,509
Vending	19,026	-	-	19,026
Miscellaneous	66,053	-	-	66,053
Restaurant lease	23,538	-	-	23,538
Royalty income	235	-	-	235
Investment income	84,713	-	-	84,713
Released from restriction	147,811	(147,811)	-	-
Total support and revenue	3,490,036	(76,752)	-	3,413,284
Expenses:				
Program services	2,518,933	-	-	2,518,933
Management and general	559,788	-	-	559,788
Fundraising	83,776	-	-	83,776
Total expenses	3,162,497	-	-	3,162,497
Change in net assets	327,539	(76,752)	-	250,787
Net assets beginning of year	7,002,613	368,153	62,000	7,432,766
Net assets end of year	\$ 7,330,152	\$ 291,401	\$ 62,000	\$ 7,683,553

See accompanying notes.

THE LADIES' HERMITAGE ASSOCIATION
STATEMENTS OF CASH FLOWS
Years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Changes in net assets	\$ (13,723)	\$ 250,787
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	340,568	326,846
In-kind donation of property and equipment	(57,426)	(62,500)
Net realized and unrealized (gain) loss on investments	(19,828)	(69,315)
Investment income	(20,986)	(11,625)
Investment fees	7,406	1,437
Change in operating assets and liabilities:		
Temporary investments	(462)	-
Accounts and contributions receivable	228,634	(259,614)
Inventories	11,251	32,720
Prepaid expenses	13,671	16,285
Accounts payable	(956)	24,196
Accrued expenses:		
Employee's compensation	12,147	8,437
Sales tax	(159)	(1,019)
Net cash provided (used) by operating activities	<u>500,137</u>	<u>256,635</u>
Cash flows from investing activities:		
Property and equipment acquisitions	(40,160)	(23,748)
Construction-in-progress	(531,589)	(482,415)
Purchase of investments	(53,261)	(108,511)
Proceeds from sale of investments	<u>153,258</u>	<u>430,389</u>
Net cash used by investing activities	<u>(471,752)</u>	<u>(184,285)</u>
Net increase (decrease) in cash and cash equivalents	28,385	72,350
Cash and cash equivalents, beginning of year	<u>302,517</u>	<u>230,167</u>
Cash and cash equivalents, end of year	<u>\$ 330,902</u>	<u>\$ 302,517</u>
Noncash investing activity:		
Transfer of construction-in-progress to property and equipment	<u>\$ 507,020</u>	<u>\$ -</u>

See accompanying notes.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2005 and 2004

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, 2005 and 2004

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, 2005 and 2004

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 3,100 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, 2005 and 2004

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 2005 and 2004, 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.

NOTE 2 – ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

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

	<u>2005</u>	<u>2004</u>
Trade	\$ 52,388	\$ 38,621
Contributions	-	51,300
Grants	<u>25,990</u>	<u>222,091</u>
	<u>\$ 78,377</u>	<u>\$ 312,012</u>

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005 and 2004

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>2005</u>	<u>2004</u>
Receivable in less than one year	\$ 5,000	\$ 51,300
Receivable in one to five years	-	-
	<u>5,000</u>	<u>51,300</u>
Less discounts to net present value and allowances	-	-
Net contributions receivable	<u>\$ 5,000</u>	<u>\$ 51,300</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 8%.

NOTE 4 – COLLECTIONS, PROPERTY AND EQUIPMENT

Collections, property and equipment are summarized as follows:

	<u>2005</u>	<u>2004</u>
Depreciable assets:		
Museum properties	\$ 4,289,782	\$ 3,754,284
Residences	162,590	162,590
Other buildings	3,634,092	3,634,092
Equipment	918,113	890,198
Access road project	66,994	66,994
Other improvements	501,727	461,733
Farm animals	<u>10,500</u>	<u>10,500</u>
	9,583,798	8,980,391
Less accumulated depreciation	<u>(4,629,773)</u>	<u>(4,289,204)</u>
Subtotal	<u>4,954,025</u>	<u>4,691,187</u>
Nondepreciable assets:		
Land	176,447	176,447
Collections	<u>729,092</u>	<u>727,892</u>
	<u>\$ 5,859,564</u>	<u>\$ 5,595,526</u>

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005 and 2004

NOTE 4 – COLLECTIONS, PROPERTY AND EQUIPMENT (Continued)

Museum properties reflect identifiable acquisition and renovation costs for the Hermitage mansion, 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 \$506,984 at June 30, 2005 represents the cost of work relating to the first Hermitage project. The project is substantially funded through federal awards (Note 14).

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>2005</u>	<u>2004</u>
Master note	\$ 472	\$ 79
Bonds	292,455	314,713
Common stocks	<u>428,988</u>	<u>473,712</u>
	<u>\$ 721,915</u>	<u>\$ 788,504</u>

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005 and 2004

NOTE 6 – LONG-TERM INVESTMENTS (Continued)

	<u>2005</u>	<u>2004</u>
Components of investment income:		
Interest and dividends from long-term investments	\$ 20,986	\$ 11,625
Net realized and unrealized gain (loss) on long-term investments	<u>19,828</u>	<u>69,315</u>
	40,814	80,940
Interest and dividends from cash and and cash equivalents	<u>1,950</u>	<u>3,773</u>
	<u>\$ 42,764</u>	<u>\$ 84,713</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>2005</u>	<u>2004</u>
Save America's Treasures Grant Match	\$ -	\$ 110,817
Mansion restoration	47,552	79,555
Education	-	50,000
Replanting and landscape	6,226	17,176
Alfred's Cabin Project	-	12,100
Greenhouse	-	6,000
State of Tennessee	-	5,460
Bicentennial banners	4,411	5,000
Tulip Grove	-	1,646
National Trust – First Hermitage	36,633	-
NEH Interpretive Grant	2,583	-
National Trust – Dendrochronology	1,000	-
Sponsored programs	1,331	1,202
Cemetery	990	970
Rachel's Garden benches	610	560
Collection purchases	445	445
Map Survey	370	370
Marsha Mullin Postcard Collection	<u>100</u>	<u>100</u>
	<u>\$ 102,251</u>	<u>\$ 291,401</u>

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005 and 2004

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

During fiscal 2005 and 2004, temporarily restricted net assets of \$258,520 and \$147,811, 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>2005</u>	<u>2004</u>
General Endowment	\$ 18,000	\$ 17,000
Tulip Grove Endowment	<u>45,000</u>	<u>45,000</u>
Total	<u>\$ 63,000</u>	<u>\$ 62,000</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 \$6,942,217 and \$6,653,610 at June 30, 2005 and 2004, 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 \$31,993 and \$35,050 for fiscal years 2005 and 2004, respectively.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Association leases its restaurant facilities to an independent vendor. The lease extends through June 2006 with the monthly payments equal to 8% of gross receipts at the Hermitage and 8% of gross receipts out of the Hermitage Kitchen. The lease provides for certain renewal terms. Related revenues amounted to \$15,375 in 2005 (\$11,731 in 2004).

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005 and 2004

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

The Association also leases two 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 will assess a \$3 fee per athlete beginning in January 2005 payable to the Association. The agreement extends through December 2007.

The Association entered into several lease agreements with an outside party to cultivate the land. The lease terms commenced February 2003 and extend through February 2007 with annual rentals approximating \$40,470 each year. Income was \$40,470 and \$37,765 during the fiscal years ended June 30, 2005 and 2004, respectively.

The Association has entered into a contract agreement extending to December 30, 2006 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 2005 totaled \$19,500.

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, 2005 and 2004, respectively.

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 \$35,290 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, 2005 and 2004

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>2005</u>	<u>2004</u>
Equipment	\$ 3,500	\$ 52,000
Architect services	-	18,382
Farm animals	-	10,500
Fencing	-	6,000
Other	10,280	4,539
Conservation services	-	3,500
Archaeology	-	900
Landscaping supplies	3,926	-
Collection items	1,200	-
Construction services	<u>48,800</u>	<u>-</u>
	<u>\$ 67,706</u>	<u>\$ 95,821</u>

NOTE 14 – GRANTS

In September 2000, the Association received notice from the United States Department of Interior that it had been awarded \$340,000 from the Save America's Treasures Historic Preservation Fund. At June 30, 2004, the Association had not recognized any revenue under the grant. The award, requiring a dollar-for-dollar match by the Association, was used to restore the first Hermitage residence of Andrew Jackson. The required match of \$340,000 has been met and recognized through an anonymous donation recognizing all past Regents of the Ladies' Hermitage Association. The Association has recognized expenses of approximately \$229,000 relating to the matching portion of the grant through June 30, 2004. During the year ended June 30, 2005, the Association recognized revenue of \$340,000 and capital expenses of approximately \$507,000 under the grant. Receivable balances at June 30, 2005 include \$5,000 under this grant.

THE LADIES' HERMITAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005 and 2004

NOTE 14 – GRANTS (Continued)

In May 1999, the Association received notice from the United States Department of Transportation that it had been awarded a \$250,000 grant, which was used to replant trees destroyed in a 1998 tornado. In December 2002, the grant was amended to allow for an additional \$240,000. The award also requires a match of \$122,500, which had been met and recognized as of June 30, 2003. During the year ended June 30, 2004, the Association recognized revenue of \$441,854 under the grant. Receivable balances include \$215,737 due the Association under this grant at June 30, 2004. During the year ended June 30, 2005, the Association recognized revenue of \$23,681 and capital expenses of approximately the same amount under this award. Amounts receivable at June 30, 2005, under this grant total \$15,049. The grant project was substantially complete by June 30, 2005.

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 2005, the Association recognized revenue and expense under this grant of \$17,800.