

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Travellers' Rest Historic House Museum, Inc.
Nashville, Tennessee

We have audited the accompanying statement of financial position of Travellers' Rest Historic House Museum, Inc. (a non-profit organization) as of June 30, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 Travellers' Rest Historic House Museum, Inc. as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Byrd, Proctor & Mills, P.C.

March 28, 2008

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2007

	Museum		NSCDA-TN Foundation		
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS					
Cash	\$ 348,866	\$ 26,297	\$ -	\$ -	\$ 375,163
Inventories	3,539	-	-	-	3,539
Accounts receivable	194	-	-	-	194
Contributions receivable	-	50,000	-	-	50,000
Investments	110,243	-	1,846,401	45,719	2,002,363
Property and equipment	753,891	-	-	-	753,891
Collections - Note 4	-	-	-	-	-
	<u>\$ 1,216,733</u>	<u>\$ 76,297</u>	<u>\$ 1,846,401</u>	<u>\$ 45,719</u>	<u>\$ 3,185,150</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 9,451	\$ -	\$ -	\$ -	\$ 9,451
Due to (from) other funds	(14)	-	533	(519)	-
Security and rent deposits	28,075	-	-	-	28,075
	<u>37,512</u>	<u>-</u>	<u>533</u>	<u>(519)</u>	<u>37,526</u>
NET ASSETS					
Unrestricted	1,179,221	-	-	-	1,179,221
Temporarily restricted	-	76,297	1,845,868	-	1,922,165
Permanently restricted	-	-	-	46,238	46,238
	<u>1,179,221</u>	<u>76,297</u>	<u>1,845,868</u>	<u>46,238</u>	<u>3,147,624</u>
	<u>\$ 1,216,733</u>	<u>\$ 76,297</u>	<u>\$ 1,846,401</u>	<u>\$ 45,719</u>	<u>\$ 3,185,150</u>

See accompanying notes.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

	NSCDA-TN				
	Museum		Foundation		
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER					
Contributions	\$ 267,053	\$ 50,000	\$ 25,000	\$ -	\$ 342,053
Admissions	34,197	-	-	-	34,197
Special programs	11,320	-	-	-	11,320
Museum Shop sales	15,132	-	-	-	15,132
Educational activity programs	46,034	-	-	-	46,034
Education Center rental	79,097	-	-	-	79,097
Investment return	9,238	-	239,444	-	248,682
Other sources	8,905	-	-	-	8,905
Net assets released from restrictions	112,427	(54,417)	(58,010)	-	-
	583,403	(4,417)	206,434	-	785,420
EXPENSES					
Program expenses					
Education and interpretation	87,595	-	-	-	87,595
Building maintenance	40,978	-	-	-	40,978
Collections	34,064	-	-	-	34,064
Grounds	33,193	-	-	-	33,193
Museum Shop	54,234	-	-	-	54,234
Other	72,573	-	-	-	72,573
Supporting services					
Management and general	132,536	-	-	-	132,536
Fund-raising	29,178	-	-	-	29,178
	484,351	-	-	-	484,351
CHANGE IN NET ASSETS	99,052	(4,417)	206,434	-	301,069
NET ASSETS, BEGINNING OF YEAR	1,080,169	80,714	1,639,434	46,238	2,846,555
NET ASSETS, END OF YEAR	\$ 1,179,221	\$ 76,297	\$ 1,845,868	\$ 46,238	\$ 3,147,624

See accompanying notes.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2007

	Museum		NSCDA-TN Foundation		Total
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets	\$ 99,052	\$ (4,417)	\$ 206,434	\$ -	\$ 301,069
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:					
Depreciation	63,692	-	-	-	63,692
Realized and unrealized gains on investments	(243)	-	(201,006)	-	(201,249)
(Increase) decrease in:					
Accounts receivable	81	-	-	-	81
Accrued interest receivable	-	-	(372)	(5)	(377)
Increase (decrease) in:					
Accounts payable and accrued expenses	3,371	-	-	-	3,371
Due to (from) other funds	-	-	814	(814)	-
Security and rent deposits	(225)	-	-	-	(225)
Net cash provided (used) by operating activities	165,728	(4,417)	5,870	(819)	166,362
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	(5,495)	-	-	-	(5,495)
Purchase of investments	(110,000)	-	(1,687,721)	(3,830)	(1,801,551)
Proceeds from sale/maturities of investments	-	-	1,681,841	4,649	1,686,490
Net cash provided (used) by investing activities	(115,495)	-	(5,880)	819	(120,556)
NET INCREASE (DECREASE) IN CASH	50,233	(4,417)	(10)	-	45,806
CASH AT BEGINNING OF YEAR	298,633	30,714	10	-	329,357
CASH AT END OF YEAR	<u>\$ 348,866</u>	<u>\$ 26,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,163</u>

See accompanying notes.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

In November 1988, the National Society of The Colonial Dames of America in the State of Tennessee (NSCDA-TN) voted to establish a separate corporation named Travellers' Rest Historic House Museum, Inc. (the Museum) to operate and maintain the Travellers' Rest site. The Museum leases the site from the NSCDA-TN and operates the historic house in Nashville, Tennessee. The Museum's primary sources of revenue are contributions, admissions, rent and educational programs.

The financial statements of the Museum include the accounts of the National Society of The Colonial Dames of America in Tennessee Foundation for Travellers' Rest (the NSCDA-TN Foundation). The NSCDA-TN Foundation is a separate trust that was established by NSCDA-TN. Although the NSCDA-TN's authorization is required for all expenditures from the NSCDA-TN Foundation, they have delegated this authority to the Museum for temporarily restricted net assets. The funds in the NSCDA-TN Foundation are restricted for the maintenance, repair, upkeep and improvement of Travellers' Rest.

The financial statements are prepared on the accrual basis of accounting. This method of accounting recognizes revenue when earned and expenses when incurred.

Financial Statement Presentation

The Museum reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions receivable are recorded at the time a promise is made.

Cash and Cash Equivalents

For the statement of cash flows, the Museum considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and certain reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Inventory

Inventories are stated at the lower of cost or market on a first-in, first-out basis. Inventories consist of items that reflect the Museum's historical purpose and are held for sale to visitors in the Museum Shop.

Property and Equipment

The Museum capitalizes all expenditures for equipment and leasehold improvements in excess of \$500. Purchased equipment and leasehold improvements are carried at cost. Donated equipment and leasehold improvements are carried at their approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Certain real property known as Travellers' Rest is leased from The National Society of The Colonial Dames of America in the State of Tennessee for one dollar per year for 99 years. The lease term expires in December 2089. The lease has a provision that the property must be used as an historical shrine. In the event the Museum does not use the property as an historical shrine, the lease automatically terminates. Due to the nominal rental, the restrictions placed on the property and the difficulty in estimating fair value, the property is not recorded on the books of the Museum. However, the cost of improvements to the property are capitalized and amortized.

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. Unrealized gains and losses are included in the change in net assets.

Other Matters

The statement of activities reports gains and losses recognized on investments as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Advertising

Printed advertising is expensed when distributed and other advertising is expensed when incurred. Advertising and brochures expense totaled \$16,154 for the year ended June 30, 2007.

Donated Services

Members of the Museum have donated significant amounts of time to the Museum without compensation. The fair value of these services is not reflected in the accompanying financial statements, inasmuch as there is no objective basis on which to measure the value of such services.

Donated Equipment and Marketable Securities

Donated equipment, marketable securities and other noncash donations are recorded as contributions at their estimated market value at the date of receipt.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Income Tax Status

The Museum and the Foundation qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code. In addition, they qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations that are not private foundations under Section 509(a)(2).

NOTE 2 - CONTRIBUTION RECEIVABLE

As of June 30, 2007, the Museum had received a promise from a foundation for a \$50,000 contribution. This has been recorded as a receivable. This contribution receivable is a temporarily restricted net asset. This unconditional promise to give is to be received by the Museum during the year ending June 30, 2008, and is deemed to be fully collectible by management.

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment follows:

Land	\$ 10.600
Building	79.882
Education Center	704.141
Equipment	89,155
Leasehold improvements	31,735
Restoration costs	544.998
	<hr/> 1.460.511
Accumulated depreciation	<hr/> (706.620)
	<hr/> \$ 753.891

Restoration costs include construction costs as well as the related architectural, archeological and historical research costs.

Depreciation expense totaled \$63.692 for the year ended June 30, 2007.

NOTE 4 - HISTORICAL COLLECTIONS

The Museum's collections are made up of historical items, furnishings, art objects and real property. Each of the items in the collection is cataloged and preserved. Verification of their existence and assessment of their condition are performed continuously. In conformity with the practice followed by many museums, collection items are not included in the statement of financial position. There were no historical collection items purchased or disposed of for the year ending June 30, 2007.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 5 - INVESTMENTS

Investments are held by a trust company. Investments are composed of the following:

	Cost	Fair Value	Unrealized Gain (Loss)
Short-term investments	\$ 306,011	\$ 306,011	\$ -
Mutual funds - bonds	303,611	299,700	(3,911)
Corporate bonds	256,411	251,175	(5,236)
US Treasury & agency bonds	114,693	112,805	(1,888)
Common stocks and mutual funds	980,201	1,032,672	52,471
	<u>\$ 1,960,927</u>	<u>\$ 2,002,363</u>	<u>\$ 41,436</u>

The following schedule summarizes the investment return and its classification in the statement of activities.

	Museum		NSCDA-TN Foundation		
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	\$ 8,995	\$ -	\$ 52,463	\$ -	\$ 61,458
Realized and unrealized gains	243	-	201,006	-	201,249
Investment fees	-	-	(14,025)	-	(14,025)
Total investment return	<u>\$ 9,238</u>	<u>\$ -</u>	<u>\$ 239,444</u>	<u>\$ -</u>	<u>\$ 248,682</u>

NOTE 6 - RELATED PARTY TRANSACTIONS

The Museum received \$118,651 in unrestricted contributions from NSCDA-TN during the year ended June 30, 2007, which was approximately 35% of total contributions for the year ended June 30, 2007.

NOTE 7 - CONCENTRATIONS

At June 30, 2007, cash deposits exceeded federally-insured limits by approximately \$170,300.

For the year ended June 30, 2007, one donor, and a foundation controlled by that donor, contributed approximately 24% of total contributions.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>Museum</u>	<u>NSCDA-TN Foundation</u>
Purpose restrictions accomplished:		
Program expenses	\$ (4,417)	\$ (58.010)
Time restrictions expired:		
Passage of specified time	<u>(50,000)</u>	<u>-</u>
Total restrictions released	<u>\$ (54,417)</u>	<u>\$ (58.010)</u>

Temporarily restricted net assets consist of the following:

NSCDA-TN Foundation net assets (restricted for the maintenance, repair, upkeep and improvements of Travellers' Rest)	\$ 1,845.868
Contributions receivable in future periods	50.000
Other	<u>26.297</u>
	<u>\$ 1,895.868</u>

NOTE 9 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following:

	<u>NSCDA-TN Foundation</u>
Henrietta Weaver Jackson Garden Fund	<u>\$ 46.238</u>

Income from permanently restricted assets is available for maintenance of the Colonial Dames Garden at Travellers' Rest.