

TRAVELLERS' REST
HISTORIC HOUSE MUSEUM, INC.
FINANCIAL STATEMENTS
Year Ended June 30, 2005

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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, 2005, 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, 2005, 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.

September 28, 2005

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2005

	Museum		NSCDA - TN Foundation		
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS					
Cash	\$ 328,260	\$ -	\$ 10	\$ -	\$ 328,270
Inventories	3,769	-	-	-	3,769
Prepaid expenses	261	-	-	-	261
Contributions receivable	-	50,000	-	-	50,000
Investments	-	-	1,541,711	39,688	1,581,399
Property and equipment	<u>847,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>847,369</u>
	<u>\$1,179,659</u>	<u>\$ 50,000</u>	<u>\$1,541,721</u>	<u>\$39,688</u>	<u>\$2,811,068</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 7,942	\$ -	\$ -	\$ -	\$ 7,942
Due to (from) other funds	30,251	(30,266)	6,565	(6,550)	-
Deferred revenue	<u>39,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,313</u>
	<u>77,506</u>	<u>(30,266)</u>	<u>6,565</u>	<u>(6,550)</u>	<u>47,255</u>
NET ASSETS					
Unrestricted	1,102,153	-	-	-	1,102,153
Temporarily restricted	-	80,266	1,535,156	-	1,615,422
Permanently restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,238</u>	<u>46,238</u>
	<u>1,102,153</u>	<u>80,266</u>	<u>1,535,156</u>	<u>46,238</u>	<u>2,763,813</u>
	<u>\$1,179,659</u>	<u>\$50,000</u>	<u>\$1,541,721</u>	<u>\$39,688</u>	<u>\$2,811,068</u>

See accompanying notes.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

	Museum		NSCDA - TN Foundation		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT					
Contributions	\$ 118,686	\$ 51,750	\$ -	\$ -	\$ 170,436
Admissions	23,374	-	-	-	23,374
Special programs	8,245	-	-	-	8,245
Museum shop sales	15,110	-	-	-	15,110
Educational activity programs	42,806	-	-	-	42,806
Education Center rental	57,185	-	-	-	57,185
Investment return	3,178	-	88,086	-	91,264
Other sources	8,553	-	-	-	8,553
Net assets released from restrictions	<u>133,951</u>	<u>(50,927)</u>	<u>(83,024)</u>	<u>-</u>	<u>-</u>
	411,088	823	5,062	-	416,973
EXPENSES					
Program expenses					
Education and interpretation	126,653	-	-	-	126,653
Building maintenance	27,187	-	-	-	27,187
Collections	16,489	-	-	-	16,489
Grounds	33,773	-	-	-	33,773
Museum shop	24,001	-	-	-	24,001
Other	67,197	-	-	-	67,197
Supporting services					
Management and general	122,192	-	-	-	122,192
Fund-raising	<u>26,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,429</u>
	<u>443,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>443,921</u>
CHANGE IN NET ASSETS	(32,833)	823	5,062	-	(26,948)
NET ASSETS, BEGINNING OF YEAR	<u>1,134,986</u>	<u>79,443</u>	<u>1,530,094</u>	<u>46,238</u>	<u>2,790,761</u>
NET ASSETS, END OF YEAR	<u>\$1,102,153</u>	<u>\$ 80,266</u>	<u>\$1,535,156</u>	<u>\$46,238</u>	<u>\$2,763,813</u>

See accompanying notes.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2005

	Museum		NSCDA - TN Foundation		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets	\$ (32,833)	\$ 823	\$ 5,062	\$ -	\$ (26,948)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:					
Depreciation	60,732	-	-	-	60,732
Realized and unrealized gains on investments	-	-	(70,962)	-	(70,962)
(Increase) decrease in:					
Inventories	2,103	-	-	-	2,103
Prepaid expenses	1,692	-	-	-	1,692
Accrued interest receivable	-	-	(34)	-	(34)
Increase (decrease) in:					
Accounts payable and accrued expenses	(17,662)	-	-	-	(17,662)
Due to (from) other funds	823	(823)	1,191	(1,191)	-
Deferred revenue	<u>6,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,988</u>
Net cash provided (used) by operating activities	21,843	-	(64,743)	(1,191)	(44,091)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	(33,446)	-	-	-	(33,446)
Purchase of investments	-	-	(55,523)	(281)	(55,804)
Proceeds from sale/maturities of investments	<u>-</u>	<u>-</u>	<u>120,266</u>	<u>1,472</u>	<u>121,738</u>
Net cash provided (used) by investing activities	<u>(33,446)</u>	<u>-</u>	<u>64,743</u>	<u>1,191</u>	<u>32,488</u>
NET DECREASE IN CASH	(11,603)	-	-	-	(11,603)
CASH AT BEGINNING OF YEAR	<u>339,863</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>339,873</u>
CASH AT END OF YEAR	<u>\$328,260</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$328,270</u>

See accompanying notes.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 a 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 \$19,593 for the year ended June 30, 2005.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2005, 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, 2006, 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	80,499
Leasehold improvements	28,387
Restoration costs	<u>524,637</u>
	1,428,146
Accumulated depreciation	<u>(580,777)</u>
	\$ <u>847,369</u>

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

Depreciation expense totaled \$60,732 for the year ended June 30, 2005.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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.

NOTE 5 - INVESTMENTS

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

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Short-term investments	\$ 44,056	\$ 44,056	\$ -
Mutual funds – bonds	514,822	520,692	5,870
Common trust funds and mutual funds - stock	<u>1,082,101</u>	<u>1,016,651</u>	<u>(65,450)</u>
	<u>\$1,640,979</u>	<u>\$1,581,399</u>	<u>\$(59,580)</u>

The investments in common trust funds and mutual funds - stock consist primarily of investments in common stock across various industries. All of these funds are in an unrealized loss position. The impairment is the result of the overall market decline. The fair value is approximately 6% less than cost, and the duration of the impairment is greater than 24 months. The NSCDA - TN Foundation has evaluated the nature of the investments in relation to the amount and duration of the impairment. Based on that evaluation and the NSCDA - TN Foundation's ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the NSCDA - TN Foundation does not consider these investments to be other-than-temporarily impaired at June 30, 2005.

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

	<u>Museum</u>		<u>NSCDA - TN Foundation</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income	\$3,178	\$ -	\$ 28,535	\$ -	\$ 31,713
Realized and unrealized gains	-	-	70,962	-	70,962
Investment fees	<u>-</u>	<u>-</u>	<u>(11,411)</u>	<u>-</u>	<u>(11,411)</u>
Total investment return	<u>\$3,178</u>	<u>\$ -</u>	<u>\$ 88,086</u>	<u>\$ -</u>	<u>\$ 91,264</u>

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 6 - RELATED PARTY TRANSACTIONS

The Museum received \$16,000 in unrestricted contributions from NSCDA-TN during the year ended June 30, 2005.

NOTE 7 - CONCENTRATIONS

At June 30, 2005, cash deposits exceeded federally-insured limits by approximately \$129,200. For the year ended June 30, 2005, one donor contributed approximately 30% of total contributions.

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	\$ (927)	\$(83,024)
Time restrictions expired:		
Passage of specified time	<u>(50,000)</u>	<u>-</u>
Total restrictions released	<u>\$(50,927)</u>	<u>\$(83,024)</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)	\$1,535,156
Contributions receivable in future periods	50,000
Other	<u>30,266</u>
	<u>\$1,615,422</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.