

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2009

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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, 2009, 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, 2009, 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.*

February 2, 2010

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2009

	Museum		NSCDA-TN Foundation		
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	Total
<b>ASSETS</b>					
Cash	\$ 112,887	\$ 51,536	\$ -	\$ -	\$ 164,423
Inventory	4,130	-	-	-	4,130
Accounts receivable	8,447	-	-	-	8,447
Contributions receivable	20,502	50,000	-	-	70,502
Investments	270,142	-	1,339,056	33,470	1,642,668
Property and equipment	680,859	-	-	-	680,859
Collections - Note 4	-	-	-	-	-
	<u>\$ 1,096,967</u>	<u>\$ 101,536</u>	<u>\$ 1,339,056</u>	<u>\$ 33,470</u>	<u>\$ 2,571,029</u>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 8,472	\$ -	\$ -	\$ -	\$ 8,472
Due to (from) other funds	(14)	-	12,782	(12,768)	-
Security and rent deposits	33,698	-	-	-	33,698
	<u>42,156</u>	<u>-</u>	<u>12,782</u>	<u>(12,768)</u>	<u>42,170</u>
<b>NET ASSETS</b>					
Unrestricted	1,054,811	-	-	-	1,054,811
Temporarily restricted	-	101,536	1,326,274	-	1,427,810
Permanently restricted	-	-	-	46,238	46,238
	<u>1,054,811</u>	<u>101,536</u>	<u>1,326,274</u>	<u>46,238</u>	<u>2,528,859</u>
	<u>\$ 1,096,967</u>	<u>\$ 101,536</u>	<u>\$ 1,339,056</u>	<u>\$ 33,470</u>	<u>\$ 2,571,029</u>

See accompanying notes.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

	Museum		NSCDA-TN Foundation		
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER</b>					
Contributions	\$ 194,853	\$ 65,240	\$ -	\$ -	\$ 260,093
Admissions	21,685	-	-	-	21,685
Museum Shop sales	8,351	-	-	-	8,351
Educational activity programs	57,934	-	-	-	57,934
Education Center rental	99,605	-	-	-	99,605
Investment return designated for current operations	9,624	-	50,400	-	60,024
Other sources	9,347	-	-	-	9,347
Net assets released from restrictions	135,873	(68,826)	(67,047)	-	-
	<u>537,272</u>	<u>(3,586)</u>	<u>(16,647)</u>	<u>-</u>	<u>517,039</u>
<b>EXPENSES</b>					
Program expenses					
Education and interpretation	67,902	-	-	-	67,902
Building maintenance	36,017	-	-	-	36,017
Collections	9,199	-	-	-	9,199
Education Center rentals	12,000	-	-	-	12,000
Grounds	36,222	-	-	-	36,222
Museum Shop	45,200	-	-	-	45,200
Other	72,634	-	-	-	72,634
Supporting services					
Management and general	164,267	-	-	-	164,267
Fund-raising	32,507	-	-	-	32,507
	<u>475,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>475,948</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>61,324</b>	<b>(3,586)</b>	<b>(16,647)</b>	<b>-</b>	<b>41,091</b>
<b>OTHER CHANGES IN NET ASSETS</b>					
Investment return under amount designated for operations	(60,400)	-	(300,767)	-	(361,167)
<b>CHANGE IN NET ASSETS</b>	<b>924</b>	<b>(3,586)</b>	<b>(317,414)</b>	<b>-</b>	<b>(320,076)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,053,887</b>	<b>105,122</b>	<b>1,643,688</b>	<b>46,238</b>	<b>2,848,935</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,054,811</b>	<b>\$ 101,536</b>	<b>\$ 1,326,274</b>	<b>\$ 46,238</b>	<b>\$ 2,528,859</b>

See accompanying notes.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2009

	Museum		NSCDA-TN Foundation		
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Change in net assets	\$ 924	\$ (3,586)	\$ (317,414)	\$ -	\$ (320,076)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:					
Depreciation	66,417	-	-	-	66,417
Realized and unrealized losses on investments	57,357	-	282,102	-	339,459
(Increase) decrease in:					
Accounts receivable	(8,447)	-	-	-	(8,447)
Inventory	2,717	-	-	-	2,717
Contributions receivable	(20,502)	10,000	-	-	(10,502)
Accrued interest receivable	113	-	1,552	-	1,665
Increase (decrease) in:					
Accounts payable and accrued expenses	(10,637)	-	-	-	(10,637)
Security and rent deposits	(11,543)	-	-	-	(11,543)
Net cash provided (used) by operating activities	76,399	6,414	(33,760)	-	49,053
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property and equipment	(30,077)	-	-	-	(30,077)
Purchase of investments	(56,070)	-	(249,590)	-	(305,660)
Proceeds from sale/maturities of investments	49,899	10,000	283,310	-	343,209
Net cash provided (used) by investing activities	(36,248)	10,000	33,720	-	7,472
NET INCREASE (DECREASE) IN CASH	40,151	16,414	(40)	-	56,525
CASH AT BEGINNING OF YEAR	72,736	35,122	40	-	107,898
CASH AT END OF YEAR	\$ 112,887	\$ 51,536	\$ -	\$ -	\$ 164,423

See accompanying notes.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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.  
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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 reported at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Endowment

Both the Museum and NSCDA-TN Foundation investment accounts consist of a combined seven individual funds established for a variety of purposes. It includes donor-restricted endowment funds. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Directors has interpreted the Tennessee Prudent Management of Institutional Funds Act (TPMIFA) 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 Museum and NSCDA-TN Foundation classify 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by TPMIFA. In accordance with TPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:



TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

- (1) The duration and preservation of the fund
- (2) The purposes of the Museum and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Museum
- (7) The investment policies of the Museum.

Funds With Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TPMIFA requires both the Museum and NSCDA-TN Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in temporarily net assets. Deficiencies generally result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions along with continued appropriation for certain programs that are deemed prudent by the Board of Directors. There was one fund with a deficiency of approximately \$2,759 at June 30, 2009.

Return Objectives and Risk Parameters – the Museum and NSCDA-TN Foundation have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that, over time, provide a return of approximately 7% annually while assuming a moderate level of investment risk. Actual returns in any given year will vary from this amount.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Museum and NSCDA-TN Foundation rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum and NSCDA-TN Foundation target a diversified asset allocation that places an emphasis on equity-based investments and bonds to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Museum has policies of appropriating for distribution each year ranging from 3.5 to 4.1 percent of the respective endowment fund's average fair value over the prior three years. The calculation is based on the three fiscal years ending on the March 31 preceding the fiscal year in which the distribution is planned. In establishing this policy, the Museum and NSCDA-TN Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Museum and NSCDA-TN Foundation expects the current spending policy to allow its endowment to grow at an average of approximately 2.9 percent annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

#### 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.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.  
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Advertising

Printed advertising is expensed when distributed and other advertising is expensed when incurred. Advertising and brochures expense totaled \$12,100 for the year ended June 30, 2009.

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, in as much 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 – CONTRIBUTIONS RECEIVABLE

As of June 30, 2009, the Museum had received promises from donors for contributions. These unconditional promises to give are scheduled to be received by the Museum during the year ending June 30, 2010. It is the opinion of management that they are fully collectible.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Land	\$ 10,600
Buildings	79,882
Education Center	704,141
Equipment	93,311
Leasehold improvements	82,699
Restoration costs	548,283
	<hr/> 1,518,916
Accumulated depreciation	(838,057)
	<hr/> <hr/> \$ 680,859

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

Depreciation expense totaled \$66,417 for the year ended June 30, 2009.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.  
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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 and none disposed of the year ended June 30, 2009.

NOTE 5 – INVESTMENTS

Investments are held and carried at fair value based on quoted prices in active markets (all Level 1 measurements) by a trust company. Investments are composed of the following:

	Cost	Fair Value	Unrealized Gain (loss)
Short-term investments	\$ 105,580	\$ 105,580	\$ -
Mutual funds – bonds	218,912	218,361	( 551)
Corporate bonds	263,690	274,809	11,119
U.S. Treasury and agency bonds	40,462	41,466	1,004
Common stocks and mutual funds	1,402,545	1,002,452	(400,093)
	<u>\$ 2,031,189</u>	<u>\$ 1,642,668</u>	<u>\$ (388,521)</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	\$ 8,789	\$ -	\$ 43,450	\$ -	\$ 52,239
Realized and unrealized loss	(57,357)	-	(282,102)	-	(339,459)
Investment fees	(2,208)	-	(11,715)	-	(13,923)
Total investment loss	<u>\$ (50,776)</u>	<u>\$ -</u>	<u>\$ (250,367)</u>	<u>\$ -</u>	<u>\$ (301,143)</u>

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	Museum		NSCDA-TN Foundation		
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	Total
Investment return designated for current operations	\$ 9,624	\$ -	\$ 50,400	\$ -	\$ 60,024
Investment return under amount designated for current operations	(60,400)	-	(300,767)	-	(361,167)
	<u>\$ (50,776)</u>	<u>\$ -</u>	<u>\$ (250,367)</u>	<u>\$ -</u>	<u>\$ (301,143)</u>

Investment income derived from the Museum's and NSCDA-TN Foundation investments is included in operating activities in the Statement of Activities based on a spending rule of 3.5% to 4.1%, as this income is used to offset the Museum's operating expenses. All other investment return is considered non-operating.

NOTE 6 – ENDOWMENT

Endowment net assets are composed of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 1,326,274	\$ 46,238	\$ 1,372,512
Board restricted endowment funds	270,142	-	-	270,142
	<u>\$ 270,142</u>	<u>\$ 1,326,274</u>	<u>\$ 46,238</u>	<u>\$ 1,642,654</u>

Changes in endowment net assets are as follows:

Endowment net assets, beginning of year	\$ 331,441	\$ 1,643,688	\$ 46,238	\$ 2,021,367
Investment return:				
Investment income	8,789	43,450	-	52,239
Net realized and unrealized losses	(57,357)	(282,102)	-	(339,459)
Total investment loss	(48,568)	(238,652)	-	(287,220)
Appropriation of endowment gains for expenditure	(10,524)	(67,047)	-	(77,571)
Other changes - split-interest agreements	(2,207)	(11,715)	-	(13,922)
Endowment net assets, end of year	<u>\$ 270,142</u>	<u>\$ 1,326,274</u>	<u>\$ 46,238</u>	<u>\$ 1,642,654</u>

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.  
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Permanently Restricted Net Assets:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by TPMIFA \$ 46,238

NOTE 7 – RELATED PARTY TRANSACTIONS

The Museum received \$100,995 in unrestricted contributions from NSCDA-TN during the year ended June 30, 2009, which included a donation of \$83,495 from a charitable remainder trust which was for the benefit of the Museum. The Museum also receives various donations from board members. This year total board member donations totaled \$13,750 from 29 members.

NOTE 8 – CONCENTRATIONS

For the year ended June 30, 2009, one donor, and a foundation controlled by that donor, contributed approximately 23% of total contributions.

NOTE 9 – 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	\$ (18,826)	\$ (67,047)
Time restrictions expired:		
Passage of specified time	<u>(50,000)</u>	<u>-</u>
	<u>\$ (68,826)</u>	<u>\$ (67,047)</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)	\$ 1,326,274
Contributions receivable in future periods	50,000
Other	<u>51,536</u>
	<u>\$ 1,427,810</u>

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.  
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NOTE 10 – 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.

NOTE 11 – EVALUATION OF EVENTS OCCURRING AFTER THE FINANCIAL STATEMENT DATE

Management has evaluated subsequent events through February 2, 2010, the date the financial statements were available to be issued.