

**Travellers' Rest Historic
House Museum, Inc. and Affiliate**

COMBINING FINANCIAL STATEMENTS

June 30, 2017 and 2016



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Travellers' Rest Historic House Museum, Inc. and Affiliate
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June 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combining financial statements of Travellers' Rest Historic House Museum, Inc. (a nonprofit organization), and affiliate which comprise the combining statements of financial position as of June 30, 2017 and 2016, and the related combining statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combining financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidating financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combining 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 combining financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combining financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combining financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combining financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combining financial statements referred to above present fairly, in all material respects, the financial position of Travellers' Rest Historic House Museum, Inc. and Affiliate as of June 30, 2017 and 2016, and the changes in their net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Nashville, Tennessee

February 8, 2018

Travellers' Rest Historic House Museum, Inc. and Affiliate
Combining Statements of Financial Position

June 30,					2017
	Museum		NSCDA-TN Foundation		
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS					
Cash	\$ -	\$ 58,356	\$ -	\$ -	\$ 58,356
Contributions receivable	-	51,086	-	-	51,086
Investments	280,171	-	1,855,812	72,247	2,208,230
Other assets	7,693	-	-	-	7,693
Property and equipment	692,928	-	-	-	692,928
TOTAL ASSETS	\$ 980,792	\$ 109,442	\$ 1,855,812	\$ 72,247	\$ 3,018,293
LIABILITIES					
Accounts payable and accrued expenses	\$ 12,048	\$ -	\$ -	\$ -	\$ 12,048
Due to (from) other funds	65,350	(65,350)	(26,009)	26,009	-
Deferred revenue	31,364	-	-	-	31,364
TOTAL LIABILITIES	108,762	(65,350)	(26,009)	26,009	43,412
NET ASSETS					
Unrestricted	872,030	-	-	-	872,030
Temporarily restricted	-	174,792	1,881,821	-	2,056,613
Permanently restricted	-	-	-	46,238	46,238
TOTAL NET ASSETS	872,030	174,792	1,881,821	46,238	2,974,881
TOTAL LIABILITIES AND NET ASSETS	\$ 980,792	\$ 109,442	\$ 1,855,812	\$ 72,247	\$ 3,018,293

Investments ↑

The accompanying notes are an integral part of these combining financial statements.

Travellers' Rest Historic House Museum, Inc. and Affiliate
Combining Statements of Financial Position

June 30,						2016
	Museum		NSCDA-TN Foundation			
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	Total	
ASSETS						
Cash	\$ -	\$ 62,317	\$ -	\$ -	\$	62,317
Contributions receivable	-	50,000	-	-		50,000
Investments	370,432	-	1,718,631	63,029		2,152,092
Other assets	9,680	-	-	-		9,680
Property and equipment	648,242	-	-	-		648,242
TOTAL ASSETS	\$ 1,028,354	\$ 112,317	\$ 1,718,631	\$ 63,029	\$	2,922,331
LIABILITIES						
Accounts payable and accrued expenses	\$ 21,541	\$ -	\$ -	\$ -	\$	21,541
Due to (from) other funds	60,585	(60,585)	(16,791)	16,791		-
Deferred revenue	43,998	-	-	-		43,998
TOTAL LIABILITIES	126,124	(60,585)	(16,791)	16,791		65,539
NET ASSETS						
Unrestricted	902,230	-	-	-		902,230
Temporarily restricted	-	172,902	1,735,422	-		1,908,324
Permanently restricted	-	-	-	46,238		46,238
TOTAL NET ASSETS	902,230	172,902	1,735,422	46,238		2,856,792
TOTAL LIABILITIES AND NET ASSETS	\$ 1,028,354	\$ 112,317	\$ 1,718,631	\$ 63,029	\$	2,922,331

The accompanying notes are an integral part of these combining financial statements.

Travellers' Rest Historic House Museum, Inc. and Affiliate

Combining Statements of Activities

For the Year Ended June 30,

2017

	Museum		NSCDA-TN Foundation		
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE					
Contributions and grants	\$ 225,170	\$ 108,877	\$ 25,000	\$ -	\$ 359,047
Admissions	37,755	-	-	-	37,755
Museum Shop sales	11,936	-	-	-	11,936
Educational activity programs	86,574	-	-	-	86,574
Education Center rental income	133,295	-	-	-	133,295
Investment return designated for operations	7,340	-	46,896	-	54,236
Other income	673	-	-	-	673
Net assets released from restrictions	163,324	(106,987)	(56,337)	-	-
TOTAL SUPPORT AND REVENUES	666,067	1,890	15,559	-	683,516
EXPENSES					
Program expenses					
Education and interpretation	142,250	-	-	-	142,250
Building maintenance	38,781	-	-	-	38,781
Collections	51,020	-	-	-	51,020
Education Center rental expenses	76,273	-	-	-	76,273
Grounds	32,520	-	-	-	32,520
Museum Shop	48,194	-	-	-	48,194
Other	114,392	-	-	-	114,392
Total program expenses	503,430	-	-	-	503,430
Supporting services					
Management and general	185,016	-	-	-	185,016
Fundraising	28,903	-	-	-	28,903
TOTAL EXPENSES	717,349	-	-	-	717,349
CHANGE IN NET ASSETS FROM OPERATIONS	(51,282)	1,890	15,559	-	(33,833)
OTHER CHANGES IN NET ASSETS					
Gain on disposal of property and equipment	-	-	-	-	-
Investment return over the amount designated for operations	21,082	-	130,840	-	151,922
CHANGE IN NET ASSETS	(30,200)	1,890	146,399	-	118,089
NET ASSETS, BEGINNING OF YEAR	902,230	172,902	1,735,422	46,238	2,856,792
NET ASSETS, END OF YEAR	\$ 872,030	\$ 174,792	\$ 1,881,821	\$ 46,238	\$ 2,974,881

The accompanying notes are an integral part of these combining financial statements.

Travellers' Rest Historic House Museum, Inc. and Affiliate
Combining Statements of Activities

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For the Year Ended June 30,

2016

	Museum		NSCDA-TN Foundation		Total
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE					
Contributions and grants	\$ 112,549	\$ 94,596	\$ -	\$ -	\$ 207,145
Admissions	34,037	-	-	-	34,037
Museum Shop sales	10,708	-	-	-	10,708
Educational activity programs	76,219	-	-	-	76,219
Education Center rental income	126,355	-	-	-	126,355
Investment return designated for operations	7,962	-	46,131	-	54,093
Other income	-	-	-	-	-
Net assets released from restrictions	166,158	(66,439)	(99,719)	-	-
TOTAL SUPPORT AND REVENUES	533,988	28,157	(53,588)	-	508,557
EXPENSES					
Program expenses					
Education and interpretation	145,006	-	-	-	145,006
Building maintenance	39,439	-	-	-	39,439
Collections	46,021	-	-	-	46,021
Education Center rental expenses	56,211	-	-	-	56,211
Grounds	22,186	-	-	-	22,186
Museum Shop	32,965	-	-	-	32,965
Other	84,188	-	-	-	84,188
Total program expenses	426,016	-	-	-	426,016
Supporting services					
Management and general	193,492	-	-	-	193,492
Fundraising	37,195	-	-	-	37,195
TOTAL EXPENSES	656,703	-	-	-	656,703
CHANGE IN NET ASSETS FROM OPERATIONS	(122,715)	28,157	(53,588)	-	(148,146)
OTHER CHANGES IN NET ASSETS					
Gain on disposal of property and equipment	7,285	-	-	-	7,285
Investment return under the amount designated for operations	(1,887)	-	(12,388)	-	(14,275)
CHANGE IN NET ASSETS	(117,317)	28,157	(65,976)	-	(155,136)
NET ASSETS, BEGINNING OF YEAR	1,019,547	144,745	1,801,398	46,238	3,011,928
NET ASSETS, END OF YEAR	\$ 902,230	\$ 172,902	\$ 1,735,422	\$ 46,238	\$ 2,856,792

The accompanying notes are an integral part of these combining financial statements.

Travellers' Rest Historic House Museum, Inc. and Affiliate

Combining Statements of Cash Flows

For the Year Ended June 30,

2017

	Museum		NSCDA-TN Foundation		Total
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets	\$ (30,200)	\$ 1,890	\$ 146,399	\$ -	\$ 118,089
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:					
Depreciation	105,025	-	-	-	105,025
Realized and unrealized gains on investments	(23,872)	-	(152,619)	-	(176,491)
Gain on disposal of property and equipment	-	-	-	-	-
Changes in assets and liabilities:					
Accounts receivable	-	-	-	-	-
Contributions receivable	-	(1,086)	-	-	(1,086)
Other assets	1,987	-	-	-	1,987
Accounts payable and accrued expenses	(9,493)	-	-	-	(9,493)
Due to (from) other funds	4,765	(4,765)	-	-	-
Deferred revenue	(12,634)	-	-	-	(12,634)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	35,578	(3,961)	(6,220)	-	25,397
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property and equipment	(149,711)	-	-	-	(149,711)
Proceeds from disposal of property and equipment	-	-	-	-	-
Purchases of investments	(545,928)	-	(3,201,153)	-	(3,747,081)
Proceeds from sales and maturities of investments	660,061	-	3,207,373	-	3,867,434
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(35,578)	-	6,220	-	(29,358)
NET DECREASE IN CASH	-	(3,961)	-	-	(3,961)
CASH AT BEGINNING OF YEAR	-	62,317	-	-	62,317
CASH AT END OF YEAR	\$ -	\$ 58,356	\$ -	\$ -	\$ 58,356

The accompanying notes are an integral part of these combining financial statements.

Travellers' Rest Historic House Museum, Inc. and Affiliate

Combining Statements of Cash Flows

For the Year Ended June 30,

2016

	Museum		NSCDA-TN Foundation		Total
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets	\$ (117,317)	\$ 28,157	\$ (65,976)	\$ -	\$ (155,136)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities					
Depreciation	75,511	-	-	-	75,511
Realized and unrealized gains on investments	(1,375)	-	(10,589)	-	(11,964)
Gain on disposal of property and equipment	(7,285)	-	-	-	(7,285)
Changes in assets and liabilities:					
Accounts receivable	2,725	-	-	-	2,725
Contributions receivable	-	-	-	-	-
Other assets	(3,857)	-	-	-	(3,857)
Accounts payable and accrued expenses	1,343	-	-	-	1,343
Due to (from) other funds	60,585	(60,585)	-	-	-
Deferred revenue	2,534	-	-	-	2,534
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	12,864	(32,428)	(76,565)	-	(96,129)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property and equipment	(84,301)	-	-	-	(84,301)
Proceeds from disposal of property and equipment	7,285	-	-	-	7,285
Purchases of investments	(19,604)	-	(323,160)	-	(342,764)
Proceeds from sales and maturities of investments	28,843	-	399,725	-	428,568
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(67,777)	-	76,565	-	8,788
NET DECREASE IN CASH	(54,913)	(32,428)	-	-	(87,341)
CASH AT BEGINNING OF YEAR	54,913	94,745	-	-	149,658
CASH AT END OF YEAR	\$ -	\$ 62,317	\$ -	\$ -	\$ 62,317

The accompanying notes are an integral part of these combining financial statements.

Travellers' Rest Historic House Museum, Inc. and Affiliate Notes to Combining Financial Statements

NOTE 1: NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nature of Operations

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. ("TR") to operate and maintain the Travellers' Rest site. Travellers' Rest is the 1799 home of Judge John Overton, one of Tennessee's most influential citizens in the late 18th and early 19th century. TR leases the site from the NSCDA-TN and operates the historic house located in Nashville, Tennessee. TR's primary sources of revenue are contributions, admissions, site rentals, and educational programs.

Basis of Presentation

The combining financial statements include the accounts of TR and the National Society of The Colonial Dames of America in Tennessee Foundation for Travellers' Rest (the NSCDA-TN Foundation), which are collectively referred to as the Museum. 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 TR for temporarily restricted net assets. The funds in the NSCDA-TN Foundation are restricted for the maintenance, repair, upkeep, and improvement of Travellers' Rest. Significant intercompany transactions and balances have been eliminated in the combination.

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

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

Unrestricted net assets - resources over which the Board of Directors has unlimited discretionary control to carry out the activities of the Museum in accordance with the Articles of Incorporation and By-laws.

Temporarily-restricted net assets - resources whose use is limited by donor-imposed restrictions that will be released either by actions of the Museum or by the passage of time.

Permanently-restricted net assets - resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently.

Travellers' Rest Historic House Museum, Inc. and Affiliate Notes to Combining Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For the statements of cash flows, the Museum considers all highly liquid investments, except for those held for long-term investment, purchased with an original maturity date of three months or less to be cash equivalents. Cash and cash equivalents that are designated for long-term investment and included in brokerage accounts are included in Investments in the statements of financial position.

Investments

Investments in marketable securities with readily determinable fair values and investments in debt securities are reported at their fair values. Unrealized gains and losses are included in the changes in net assets.

Equity securities consist of corporate stocks and daily traded mutual funds. Corporate stocks are valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets. Daily traded mutual funds are measured using their published net asset values (NAV), which is the price at which units can be traded at the measurement date.

Debt investments consist of U.S. Government obligations, corporate bonds and notes. The investment grade corporate bonds held by the Museum generally do not trade in active markets on the measurement date. If a bond does, it is measured at the quoted price without adjustment (a Level 1 measure); otherwise, corporate debt securities are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, price quotations in inactive markets (where observable), bond spreads, and fundamental data relating to the issuer (a Level 2 measure).

In the combining statements of activities, the Museum's includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment income, including net realized and unrealized gains and losses, earned in excess of the Museum's aggregate authorized spending amount, and contributions to temporarily and permanently restricted net assets are recognized as nonoperating support, revenues, gains, and losses.

The combining statements of activities report 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.

Property and Equipment

The Museum capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are

Travellers' Rest Historic House Museum, Inc. and Affiliate

Notes to Combining Financial Statements

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

The site where Travellers' Rest is located is leased from NSCDA-TN 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 TR 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 the Museum's improvements to the property are capitalized and amortized.

Fair Value

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the organization has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Museum believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Museum recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

Travellers' Rest Historic House Museum, Inc. and Affiliate

Notes to Combining Financial Statements

Endowment

The Museum's investment accounts consist of eight individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. 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.

The Museum's Board of Directors has designated \$280,171 and \$370,432 of unrestricted net assets at June 30, 2017 and 2016, respectively as funds functioning as an endowment to support the mission of the Museum. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

Interpretation of Relevant Law - The Board of Directors 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 Museum 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. 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 UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (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 UPMIFA requires the Museum to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in temporarily restricted 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 \$5,100 at June 30, 2017 and \$12,100 at June 30, 2016.

Travellers' Rest Historic House Museum, Inc. and Affiliate

Notes to Combining Financial Statements

Return Objectives and Risk Parameters – the Museum has 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 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 relies 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 targets 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 considered the long-term expected return on its endowment. Accordingly, over the long term, the Museum 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. During the year ended June 30, 2017, the Museum appropriated an additional \$105,280, above the spending policy, from the unrestricted portion of endowment funds for major renovations, repairs, and maintenance.

Deferred Revenue

Deferred revenue consists primarily of admissions, educational activity programs, education center rental fees and education center security deposits which have been received, but for which the prescribed services have not yet been completed. These fees will be recognized as income when these services are provided.

Revenue Recognition

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 statements of activities as net assets released from restrictions. Contributions receivable are recorded at the time a promise is made. Noncash contributions are recorded as contributions at their approximate fair value at the date of donation.

Travellers' Rest Historic House Museum, Inc. and Affiliate

Notes to Combining Financial Statements

The Museum recognizes revenues from exchange transactions, primarily admissions, Museum shop merchandise sales, and education center rental income as the services are provided to the customer.

Advertising

Printed advertising is expensed when distributed and other advertising is expensed when incurred. Advertising and brochures expense totaled \$10,030 and \$4,780 for the years ended June 30, 2017 and 2016, respectively.

Contributed Services

Contributed services are recognized at fair value 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 value when received. A number of volunteers have donated significant amounts of their time to the Museum's program and support services. These contributions in-kind are not reflected in the financial statements since these services do not meet the criteria for recognition.

Income Tax Status

Both TR and NSCDA-TN 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).

Estimates

The preparation of combining 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 combining financial statements and certain reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses

Expenses are either charged directly to program and supporting services, or allocated by management among the programs and supporting services if benefiting more than one function.

Travellers' Rest Historic House Museum, Inc. and Affiliate

Notes to Combining Financial Statements

Evaluation of Events Occurring After the Financial Statement Date

Management has evaluated subsequent events through February 8, 2018, the date the financial statements were available to be issued. During this period, the Company did not have any material recognizable subsequent events that required recognition in the disclosures to the June 30, 2017 combining financial statements.

Reclassifications

Certain reclassifications have been made to the 2016 financial statement presentation to correspond to 2017's format. Net assets and changes in net assets are unchanged due to these reclassifications.

NOTE 3: CONTRIBUTIONS RECEIVABLE

Contributions receivable primarily includes a \$50,000 unconditional promise from one donor. The \$50,000 contribution receivable at June 30, 2016 was received during the year ended June 30, 2017 and another unconditional promise was made during the year ended June 30, 2017 that is scheduled to be received by the Museum within one year. Management believes that the contributions receivable are fully collectible.

NOTE 4: INVESTMENTS

The following table set forth by level, within the fair value hierarchy, the Museum's investments as of June 30, 2017 and 2016:

<i>June 30,</i>	2017			
	Cost	Fair Value (Level 1)	Fair Value (Level 2)	Unrealized Gain (Loss)
Short-term investments	\$ 106,159	\$ 106,159	\$ -	\$ -
Mutual funds – bonds	378,800	376,690	-	(2,110)
Corporate bonds	85,734	86,336	-	602
U.S. Treasury and agency bonds	139,800	141,254	-	1,454
Mortgage-backed securities	77,806	-	77,146	(660)
Common stocks and mutual funds - equities	1,192,634	1,420,645	-	228,011
	\$ 1,980,933	\$ 2,131,084	\$ 77,146	\$ 227,297

Travellers' Rest Historic House Museum, Inc. and Affiliate
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<i>June 30,</i>	2016			
	Cost	Fair Value (Level 1)	Fair Value (Level 2)	Unrealized Gain
Short-term investments	\$ 34,193	\$ 34,193	\$ -	\$ -
Mutual funds – bonds	399,014	482,609	-	83,595
Corporate bonds	83,569	86,598	-	3,029
U.S. Treasury and agency bonds	89,628	92,294	-	2,666
Mortgage-backed securities	57,367	58,848	-	1,481
Common stocks and mutual funds - equities	1,047,321	1,397,550	-	350,229
	\$ 1,711,092	\$ 2,152,092	\$ -	\$ 441,000

The following schedule summarizes the investment return and its classification in the combining statements of activities:

<i>For the Year Ended June 30,</i>	2017		
	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 7,340	\$ 44,886	\$ 52,226
Net realized and unrealized gains	23,872	152,619	176,491
Investment fees	(2,790)	(19,769)	(22,559)
Total investment income	\$ 28,422	\$ 177,736	\$ 206,158
Investment return designated for current operations	\$ 7,340	\$ 46,896	\$ 54,236
Investment return under amounts designated for operations	21,082	130,840	151,922
	\$ 28,422	\$ 177,736	\$ 206,158

Travellers' Rest Historic House Museum, Inc. and Affiliate
Notes to Combining Financial Statements

For the Year Ended June 30, **2016**

	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 7,962	\$ 40,365	\$ 48,327
Net realized and unrealized gains	1,375	10,589	11,964
Investment fees	(3,262)	(17,211)	(20,473)
Total investment income	\$ 6,075	\$ 33,743	\$ 39,818
Investment return designated for current operations	\$ 7,962	\$ 46,131	\$ 54,093
Investment return under amounts designated for operations	(1,887)	(12,388)	(14,275)
	\$ 6,075	\$ 33,743	\$ 39,818

Investment income derived from the Museum's investments is included in operating activities in the combining statements 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 5: ENDOWMENT

Endowment net assets are composed of the following:

<i>June 30,</i>	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 1,881,821	\$ 46,238	\$ 1,928,059
Board-designated	280,171	-	-	280,171
	\$ 280,171	\$ 1,881,821	\$ 46,238	\$ 2,208,230

Travellers' Rest Historic House Museum, Inc. and Affiliate
Notes to Combining Financial Statements

<i>June 30,</i>	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 1,735,422	\$ 46,238	\$ 1,781,660
Board-designated	370,432	-	-	370,432
	<u>\$ 370,432</u>	<u>\$ 1,735,422</u>	<u>\$ 46,238</u>	<u>\$ 2,152,092</u>

Changes in endowment net assets are as follows:

<i>For the Year Ended June 30,</i>	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at June 30, 2016	\$ 370,432	\$ 1,735,422	\$ 46,238	\$ 2,152,092
Contributions	-	25,000	-	25,000
Investment income	4,550	25,117	-	29,667
Net appreciation	23,872	152,619	-	176,491
Amounts appropriated for expenditures	(118,683)	(56,337)	-	(175,020)
Balance at June 30, 2017	<u>\$ 280,171</u>	<u>\$ 1,881,821</u>	<u>\$ 46,238</u>	<u>\$ 2,208,230</u>

<i>For the Year Ended June 30,</i>	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at June 30, 2015	\$ 378,296	\$ 1,801,398	\$ 46,238	\$ 2,225,932
Contributions	-	-	-	-
Investment income	4,700	23,154	-	27,854
Net appreciation	1,375	10,589	-	11,964
Amounts appropriated for expenditures	(13,939)	(99,719)	-	(113,658)
Balance at June 30, 2016	<u>\$ 370,432</u>	<u>\$ 1,735,422</u>	<u>\$ 46,238</u>	<u>\$ 2,152,092</u>

Travellers' Rest Historic House Museum, Inc. and Affiliate
Notes to Combining Financial Statements

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<i>June 30,</i>	2017	2016
Land	\$ 10,600	\$ 10,600
Education Center	725,125	737,184
Equipment	121,324	111,749
Leasehold improvements	473,915	341,385
Restoration costs	688,531	668,866
	2,019,495	1,869,784
Accumulated depreciation	(1,326,567)	(1,221,542)
	\$ 692,928	\$ 648,242

NOTE 7: COLLECTIONS

The Museum's collections consist 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 combining statements of financial position. The Museum purchased collection items totaling \$2,271 and \$0 during June 30, 2017 and 2016, respectively. There were no disposals of collection items for the years ended June 30, 2017 and 2016.

NOTE 8: NET ASSETS

Unrestricted – board-designated net assets consist of the following:

<i>June 30,</i>	2017	2016
Board-designated endowment	\$ 203,844	\$ 294,105
Surplus	14,000	14,000
Gee fund	33,217	33,217
Collections	11,802	11,802
Deaccession proceeds	17,308	17,308
	\$ 280,171	\$ 370,432

Travellers' Rest Historic House Museum, Inc. and Affiliate
Notes to Combining Financial Statements

Temporarily restricted net assets consist of the following:

<i>June 30,</i>	2017	2016
NSCDA –TN Foundation net assets - maintenance, repair upkeep, and improvements of Travellers' Rest	\$ 1,881,821	\$ 1,735,422
Contributions receivable in future periods	51,086	50,000
Other	58,356	62,317
	\$ 1,991,263	\$ 1,847,739

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, and consist of the following:

<i>For the Years Ended June 30,</i>	2017		2016	
	Museum	NSCDA-TN Foundation	Museum	NSCDA-TN Foundation
Purpose restrictions accomplished:				
Program expenditures	\$ 56,987	\$ 56,337	\$ 16,439	\$ 99,719
Time restrictions expired:				
Passage of specified time	50,000	-	50,000	-
	\$ 106,987	\$ 56,337	\$ 66,439	\$ 99,719

Permanently restricted net assets consist of the following:

<i>For the Years Ended June 30,</i>	2017	2016
	NSCDA-TN Foundation	NSCDA-TN Foundation
Henrietta Weaver Jackson Garden Fund	\$ 46,238	\$ 46,238

Income from permanently restricted assets is restricted for maintenance of the Colonial Dames Garden at TR.

NOTE 9: RELATED PARTY TRANSACTIONS

The Museum received \$18,000 and \$16,000 in unrestricted contributions from NSCDA-TN during the years ended June 30, 2017 and 2016, respectively.

Travellers' Rest Historic House Museum, Inc. and Affiliate
Notes to Combining Financial Statements

NOTE 10: CONCENTRATIONS

At June 30, 2017 and 2016, contributions receivable consists of an unconditional promise from one donor.

For the years ended June 30, 2017, contributions from three donors and a foundation controlled by one of those donors comprised approximately 50% of total contributions.

For the year ended June 30, 2016, contributions from two donors and a foundation controlled by one of those donors comprised approximately 39% of total contributions.