

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2008

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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, 2008, 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, 2008, 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.

December 17, 2008

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2008

	Museum		NSCDA-TN Foundation		
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS					
Cash	\$ 72,736	\$ 35,122	\$ 41	\$ -	\$ 107,899
Inventories	6,847	-	-	-	6,847
Contributions receivable	-	60,000	-	-	60,000
Investments	321,441	10,000	1,648,510	41,389	2,021,340
Property and equipment	717,199	-	-	-	717,199
Collections - Note 4	-	-	-	-	-
	<u>\$ 1,118,223</u>	<u>\$ 105,122</u>	<u>\$ 1,648,551</u>	<u>\$ 41,389</u>	<u>\$ 2,913,285</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 19,109	\$ -	\$ -	\$ -	\$ 19,109
Due to (from) other funds	(14)	-	4,863	(4,849)	-
Security and rent deposits	45,241	-	-	-	45,241
	<u>64,336</u>	<u>-</u>	<u>4,863</u>	<u>(4,849)</u>	<u>64,350</u>
NET ASSETS					
Unrestricted	1,053,887	-	-	-	1,053,887
Temporarily restricted	-	105,122	1,643,688	-	1,748,810
Permanently restricted	-	-	-	46,238	46,238
	<u>1,053,887</u>	<u>105,122</u>	<u>1,643,688</u>	<u>46,238</u>	<u>2,848,935</u>
	<u>\$ 1,118,223</u>	<u>\$ 105,122</u>	<u>\$ 1,648,551</u>	<u>\$ 41,389</u>	<u>\$ 2,913,285</u>

See accompanying notes.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

	Museum		NSCDA-TN Foundation		
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER					
Contributions	\$ 119,623	\$ 86,401	\$ -	\$ -	\$ 206,024
Admissions	23,424	-	-	-	23,424
Special programs	5,705	-	-	-	5,705
Museum Shop sales	15,020	-	-	-	15,020
Educational activity programs	50,484	-	-	-	50,484
Education Center rental	67,488	-	-	-	67,488
Investment return	(24,466)	-	(121,231)	-	(145,697)
Other sources	5,419	-	-	-	5,419
Net assets released from restrictions	138,525	(57,576)	(80,949)	-	-
	<u>401,222</u>	<u>28,825</u>	<u>(202,180)</u>	<u>-</u>	<u>227,867</u>
EXPENSES					
Program expenses					
Education and interpretation	105,146	-	-	-	105,146
Building maintenance	43,065	-	-	-	43,065
Collections	33,851	-	-	-	33,851
Grounds	39,032	-	-	-	39,032
Museum Shop	49,871	-	-	-	49,871
Other	69,439	-	-	-	69,439
Supporting services					
Management and general	159,180	-	-	-	159,180
Fund-raising	26,972	-	-	-	26,972
	<u>526,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>526,556</u>
CHANGE IN NET ASSETS	(125,334)	28,825	(202,180)	-	(298,689)
NET ASSETS, BEGINNING OF YEAR	<u>1,179,221</u>	<u>76,297</u>	<u>1,845,868</u>	<u>46,238</u>	<u>3,147,624</u>
NET ASSETS, END OF YEAR	<u>\$ 1,053,887</u>	<u>\$ 105,122</u>	<u>\$ 1,643,688</u>	<u>\$ 46,238</u>	<u>\$ 2,848,935</u>

See accompanying notes.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2008

	Museum		NSCDA-TN Foundation		
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets	\$ (125,334)	\$ 28,825	\$ (202,180)	\$ -	\$ (298,689)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:					
Depreciation	65,020	-	-	-	65,020
Realized and unrealized losses on investments	33,556	-	164,552	-	198,108
(Increase) decrease in:					
Accounts receivable	194	-	-	-	194
Inventories	(3,308)	-	-	-	(3,308)
Contributions receivable	-	(10,000)	-	-	(10,000)
Accrued interest receivable	(395)	-	1,512	-	1,117
Increase (decrease) in:					
Accounts payable and accrued expenses	9,658	-	-	-	9,658
Security and rent deposits	17,166	-	-	-	17,166
 Net cash provided (used) by operating activities	 (3,443)	 18,825	 (36,116)	 -	 (20,734)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	(28,328)	-	-	-	(28,328)
Purchase of investments	(352,596)	-	(805,426)	-	(1,158,022)
Proceeds from sale/maturities of investments	366,903	(10,000)	841,584	-	1,198,487
 Net cash provided (used) by investing activities	 (14,021)	 (10,000)	 36,157	 -	 12,136
 NET INCREASE (DECREASE) IN CASH	 (17,464)	 8,825	 41	 -	 (8,598)
 CASH AT BEGINNING OF YEAR	 90,200	 26,297	 -	 -	 116,497
 CASH AT END OF YEAR	 \$ 72,736	 \$ 35,122	 \$ 41	 \$ -	 \$ 107,899

See accompanying notes.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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, 2008

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 \$18,928 for the year ended June 30, 2008.

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, 2008

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, 2008, the Museum had received promises from donors for contributions totaling \$60,000. These have been recorded as receivables and temporarily restricted net assets. These unconditional promises to give are scheduled to be received by the Museum during the year ending June 30, 2009. 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	92,482
Leasehold improvements	56,736
Restoration costs	544,998
	<hr/> 1,488,839
Accumulated depreciation	<hr/> (771,640)
	<hr/> <hr/> \$ 717,199

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

Depreciation expense totaled \$65,020 for the year ended June 30, 2008.

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 historical collection items totaling \$7,227 purchased and none disposed of the year ended June 30, 2008.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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	\$ 121,524	\$ 121,524	\$ -
Mutual funds - bonds	238,291	234,320	(3,971)
Corporate bonds	293,531	291,980	(1,551)
US Treasury and agency bonds	41,681	42,795	1,114
Common stocks and mutual funds	<u>1,455,833</u>	<u>1,330,721</u>	<u>(125,112)</u>
	<u>\$ 2,150,860</u>	<u>\$ 2,021,340</u>	<u>\$ (129,520)</u>

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	\$ 11,346	\$ -	\$ 54,514	\$ -	\$ 65,860
Realized and unrealized loss	(33,556)	-	(164,552)	-	(198,108)
Investment fees	<u>(2,256)</u>	<u>-</u>	<u>(11,193)</u>	<u>-</u>	<u>(13,449)</u>
Total investment return	<u>\$ (24,466)</u>	<u>\$ -</u>	<u>\$ (121,231)</u>	<u>\$ -</u>	<u>\$ (145,697)</u>

NOTE 6 - RELATED PARTY TRANSACTIONS

The Museum received \$17,500 in unrestricted contributions from NSCDA-TN during the year ended June 30, 2008, which was approximately 9% of total contributions.

NOTE 7 - CONCENTRATIONS

For the year ended June 30, 2008, one donor, and a foundation controlled by that donor, contributed approximately 28% of total contributions.

TRAVELLERS' REST HISTORIC HOUSE MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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	\$ (7,576)	\$ (80,949)
Time restrictions expired:		
Passage of specified time	<u>(50,000)</u>	<u>-</u>
	<u><u>\$ (57,576)</u></u>	<u><u>\$ (80,949)</u></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)	\$ 1,643,688
Contributions receivable in future periods	60,000
Other	<u>45,122</u>
	<u><u>\$ 1,748,810</u></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><u>\$ 46,238</u></u>

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

NOTE 10 - SUBSEQUENT EVENTS

In October 2008, the Museum was named in a lawsuit seeking \$500,000 for breach of contract with a potential employee. The Museum has engaged legal counsel and intends to vigorously defend against the claim. Management believes that the lawsuit is completely without merit.

The Museum's and NSCDA-TN Foundation's investments experienced significant declines in market values in October 2008 as a result of the overall decline in the stock market.