

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

COMBINING FINANCIAL STATEMENTS

June 30, 2016 and 2015



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Travellers' Rest Historic House Museum, Inc. and Affiliate
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CRI CARR
RIGGS &
INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
3011 Armory Drive
Suite 190
Nashville, Tennessee 37204

(615) 665-1811
(615) 665-1829 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Travellers' Rest Historic House Museum, Inc.
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, 2016 and 2015, 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 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 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 Museum'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 Museum'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, 2016 and 2015, 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 08, 2017

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

June 30,						2015
	Museum		NSCDA-TN Foundation			
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	Total	
ASSETS						
Cash	\$ 54,913	\$ 94,745	\$ -	\$ -	\$ 149,658	
Accounts receivable	2,725	-	-	-	2,725	
Contribution receivable	-	50,000	-	-	50,000	
Investments	378,296	-	1,784,538	63,098	2,225,932	
Other assets	5,823	-	-	-	5,823	
Property and equipment	639,452	-	-	-	639,452	
Collections - Note 7	-	-	-	-	-	
TOTAL ASSETS	\$ 1,081,209	\$ 144,745	\$ 1,784,538	\$ 63,098	\$ 3,073,590	
LIABILITIES						
Accounts payable and accrued expenses	\$ 20,198	\$ -	\$ -	\$ -	\$ 20,198	
Due to (from) other funds	-	-	(16,860)	16,860	-	
Security and rent deposits	41,464	-	-	-	41,464	
TOTAL LIABILITIES	61,662	-	(16,860)	16,860	61,662	
NET ASSETS						
Unrestricted	1,019,547	-	-	-	1,019,547	
Temporarily restricted	-	144,745	1,801,398	-	1,946,143	
Permanently restricted	-	-	-	46,238	46,238	
TOTAL NET ASSETS	1,019,547	144,745	1,801,398	46,238	3,011,928	
TOTAL LIABILITIES AND NET ASSETS	\$ 1,081,209	\$ 144,745	\$ 1,784,538	\$ 63,098	\$ 3,073,590	

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,

2015

	Museum		NSCDA-TN Foundation		
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE					
Contributions and grants	\$ 100,774	\$ 93,003	\$ -	\$ -	\$ 193,777
Admissions	44,271	-	-	-	44,271
Museum Shop sales	13,454	-	-	-	13,454
Educational activity programs	79,254	-	-	-	79,254
Education Center rental income	160,711	-	-	-	160,711
Investment return designated for operations	8,397	-	39,528	-	47,925
Other income	5,267	-	-	-	5,267
Net assets released from restrictions	166,799	(101,927)	(64,872)	-	-
TOTAL SUPPORT AND REVENUES	578,927	(8,924)	(25,344)	-	544,659
EXPENSES					
Program expenses					
Education and interpretation	135,124	-	-	-	135,124
Building maintenance	51,232	-	-	-	51,232
Collections	37,635	-	-	-	37,635
Education Center rental expenses	47,154	-	-	-	47,154
Grounds	42,901	-	-	-	42,901
Museum Shop	29,758	-	-	-	29,758
Other	77,753	-	-	-	77,753
Total program expenses	421,557	-	-	-	421,557
Supporting services					
Management and general	179,170	-	-	-	179,170
Fundraising	44,053	-	-	-	44,053
TOTAL EXPENSES	644,780	-	-	-	644,780
CHANGE IN NET ASSETS FROM OPERATIONS	(65,853)	(8,924)	(25,344)	-	(100,121)
OTHER CHANGES IN NET ASSETS					
Gain on disposal of property and equipment	9,203	-	-	-	9,203
Investment return under the amount designated for operations	(6,985)	-	(15,799)	-	(22,784)
CHANGE IN NET ASSETS	(63,635)	(8,924)	(41,143)	-	(113,702)
NET ASSETS, BEGINNING OF YEAR	1,083,182	153,669	1,842,541	46,238	3,125,630
NET ASSETS, END OF YEAR	\$ 1,019,547	\$ 144,745	\$ 1,801,398	\$ 46,238	\$ 3,011,928

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,

2015

	Museum		NSCDA-TN Foundation	
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ (63,635)	\$ (8,924)	\$ (41,143)	\$ (113,702)
Adjustment to reconcile change in net assets to net cash used by operating activities				
Depreciation	68,289	-	-	68,289
Realized and unrealized losses (gains) on investments	3,606	-	(1,791)	1,815
Gain on disposal of property and equipment	(9,203)	-	-	(9,203)
Changes in assets and liabilities:				
Accounts receivable	713	-	-	713
Other assets	5,039	-	-	5,039
Accounts payable and accrued expenses	2,006	-	-	2,006
Security and rent deposits	(39,223)	-	-	(39,223)
NET CASH USED BY OPERATING ACTIVITIES	(32,408)	(8,924)	(42,934)	(84,266)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property and equipment	(106,700)	-	-	(106,700)
Proceeds from disposal of property and equipment	9,203	-	-	9,203
Purchases of investments	(22,804)	-	(235,188)	(257,992)
Proceeds from sales and maturities of investments	32,853	-	278,122	310,975
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(87,448)	-	42,934	(44,514)
NET DECREASE IN CASH	(119,856)	(8,924)	-	(128,780)
CASH AT BEGINNING OF YEAR	174,769	103,669	-	278,438
CASH AT END OF YEAR	\$ 54,913	\$ 94,745	\$ -	\$ 149,658

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

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 in the combining statements of financial position. Unrealized gains and losses are included in the changes in net assets.

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 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

Fair value consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets. Level 2 includes inputs from quoted market prices in active markets for similar assets and liabilities, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Endowment

The Museum's investment accounts consist of 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 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

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

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.

Other Matters

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.

Advertising

Printed advertising is expensed when distributed and other advertising is expensed when incurred. Advertising and brochures expense totaled \$4,780 and \$14,642 for the years ended June 30, 2016 and 2015, respectively.

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 combining financial statements, in as much as there is no objective basis on which to measure the value of such services.

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). Tax filings for years ended after June 30, 2012 are subject to examination by the IRS.

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.

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

NOTE 4: INVESTMENTS

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

<i>June 30,</i>	2016		
	Cost	Fair Value (Level 1)	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

<i>June 30,</i>	2015		
	Cost	Fair Value (Level 1)	Unrealized Gain
Short-term investments	\$ 31,682	\$ 31,682	\$ -
Mutual funds -- bonds	426,915	501,842	74,927
Corporate bonds	121,843	124,483	2,640
U.S. Treasury and agency bonds	65,691	67,654	1,963
Mortgage-backed securities	56,152	56,985	833
Common stocks and mutual funds - equities	1,044,721	1,443,286	398,565
	\$ 1,747,004	\$ 2,225,932	\$ 478,928

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

NOTE 5: ENDOWMENT

Endowment net assets are composed of the following:

<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>

<i>June 30,</i>	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 1,801,398	\$ 46,238	\$ 1,847,636
Board-designated	378,296	-	-	378,296
	<u>\$ 378,296</u>	<u>\$ 1,801,398</u>	<u>\$ 46,238</u>	<u>\$ 2,225,932</u>

Changes in endowment net assets are as follows:

<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
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 8: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

<i>June 30,</i>	2016	2015
NSCDA-TN Foundation net assets - maintenance, repair upkeep, and improvements of Travellers' Rest	\$ 1,735,422	\$ 1,801,398
Contributions receivable in future periods	50,000	50,000
Other	122,902	94,745
	\$ 1,908,324	\$ 1,946,143

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>	2016		2015	
	Museum	NSCDA-TN Foundation	Museum	NSCDA-TN Foundation
Purpose restrictions accomplished:				
Program expenditures	\$ 16,439	\$ 99,719	\$ 51,927	\$ 64,872
Time restrictions expired:				
Passage of specified time	50,000	-	50,000	-
	\$ 66,439	\$ 99,719	\$ 101,927	\$ 64,872

NOTE 9: PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following:

<i>June 30,</i>	2016	2015
	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.