

**TENNESSEE ASSOCIATION OF
CRAFT ARTISTS**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2014

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

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BELLENFANT + MILES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Tennessee Association of Craft Artists
Nashville, Tennessee

We have audited the accompanying financial statements of the Tennessee Association of Craft Artists (a nonprofit organization) which comprise the statement of financial position as of June 30, 2014, and related statements of activities, functional expenses, and cash flows for the year 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 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 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 from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Association of Craft Artists as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of grant activity on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bellonfant & Niles, PLLC

November 1, 2014

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

ASSETS

Current Assets

Cash	\$ 169,325
Investments	6,940
Prepaid insurance	3,303
Total Current Assets	179,568

Property and Equipment

Computer software	865
Equipment	4,561
Furniture and fixtures	8,212
Leasehold Improvements	975
	14,613
Less: accumulated depreciation	(11,378)
Property and Equipment, net	3,235

Total Assets	<u><u>\$ 182,803</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	<u>\$ 3,497</u>
Total Current Liabilities	<u>3,497</u>

Net Assets

Unrestricted	
Undesignated	138,548
Designated- Chapter funds	20,302
Designated - Reserves	13,000
Total Unrestricted	171,850
Temporarily Restricted	7,456
Total Net Assets	179,306
Total Liabilities and Net Assets	<u><u>\$ 182,803</u></u>

The accompanying notes are an integral part of this statement.

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Jury and booth fees	\$ 242,340	\$ -	\$ 242,340
Donations	61,816	-	61,816
Grant income	66,700	-	66,700
Membership dues	27,450	-	27,450
Storytelling	15,627	-	15,627
 Silent auction	 1,344	 -	 1,344
Chapter support	8,789	-	8,789
Miscellaneous	1,215	-	1,215
Interest and dividends	182	-	182
Loss on equipment disposal	(997)	-	(997)
Unrealized gain on investments	1,248	-	1,248
 Total Revenue	 <u>425,714</u>	 <u>-</u>	 <u>425,714</u>
 Expenses			
Program Services	294,109	-	294,109
Supporting Services			
Management and General	115,427	-	115,427
Fundraising	23,159	-	23,159
Total Supporting Services	<u>138,586</u>	<u>-</u>	<u>138,586</u>
 Total Expenses	 <u>432,695</u>	 <u>-</u>	 <u>432,695</u>
 CHANGE IN NET ASSETS	 (6,981)	 -	 (6,981)
Net Assets, July 1, 2013	<u>178,831</u>	<u>7,456</u>	<u>186,287</u>
Net Assets, June 30, 2014	<u><u>\$ 171,850</u></u>	<u><u>\$ 7,456</u></u>	<u><u>\$ 179,306</u></u>

The accompanying notes are an integral part of this statement.

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

	Program	Supporting Services		
	Services	Management and General	Fundraising	Total
Salaries	\$ 82,181	\$ 46,134	\$ 19,284	\$ 147,599
Payroll taxes	6,053	3,869	1,420	11,342
Sales taxes	3,894	-	-	3,894
Advertising	19,512	364	-	19,876
Postage and shipping	6,510	306	831	7,647
Storytelling	12,667	-	-	12,667
Artists fees	351	1,210	150	1,711
Specialized and contract services	1,450	-	-	1,450
Awards	50,417	-	-	50,417
Printing	7,849	1,827	563	10,239
Miscellaneous	13,367	3,797	-	17,164
Rent	21,211	9,395	-	30,606
Utilities and cleaning	13,127	600	-	13,727
Security	8,640	-	-	8,640
Supplies	7,396	1,721	33	9,150
Travel and seminars	5,590	1,675	224	7,489
Professional fees	9,397	21,013	-	30,410
Telephone and internet	-	3,174	-	3,174
Graphic design	6,860	1,250	275	8,385
Insurance	1,630	13,004	338	14,972
Depreciation	-	1,207	-	1,207
Training	1,600	597	-	2,197
Dues and subscriptions	2,403	1,175	-	3,578
Bank fees and licenses	8,285	739	41	9,065
Contributions	795	100	-	895
Equipment lease	-	2,270	-	2,270
Rebates	2,924	-	-	2,924
Total Expenses	<u>\$ 294,109</u>	<u>\$ 115,427</u>	<u>\$ 23,159</u>	<u>\$ 432,695</u>

The accompanying notes are an integral part of this statement.

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (6,981)
Depreciation	1,207
Unrealized Gain on Investments	(1,248)
Loss on Equipment Disposal	997
Adjustments to reconcile change in net assets to net cash provided by operations	
(Increase) Decrease in:	
Prepaid insurance	(2,727)
Increase (Decrease) in:	
Deferred Revenue	(200)
Accounts payable and accrued expenses	(356)
Cash Used by Operating Activities	<u>(9,308)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Dividends reinvested	(113)
Purchase of equipment	<u>(1,978)</u>
Cash Used by Investing Activities	<u>(2,091)</u>
NET DECREASE IN CASH	(11,399)
Cash, July 1, 2013	<u>180,724</u>
Cash, June 30, 2014	<u>\$ 169,325</u>

The accompanying notes are an integral part of this statement.

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose:

The Tennessee Association of Craft Artists ("the Association") was incorporated in 1972 as a Tennessee non-profit corporation. Its primary purpose is to promote the crafts and craftspeople of Tennessee. The main programs used by the Association to fulfill its purpose are spring and fall craft fairs which display the crafts of artisans. The following is a summary of significant accounting policies of the Association:

Financial Statement Presentation:

The financial statements of the Association are presented on the accrual basis of accounting. Revenue is generally recognized when earned. Expenses are generally recognized when incurred.

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, the Association is required to report 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.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Association had temporarily restricted net assets of \$7,456 as of June 30, 2014.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Association. Generally donors of these assets permit the Association to use all or part of the income earned for general or specific purposes. The Association had no permanently restricted net assets as of June 30, 2014.

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (CONTINUED):

The Association accounts for contributions in accordance with the requirements of the FASB Accounting Standards Codification Revenue Recognition Topic. In accordance with the FASB Accounting Standards Codification, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition:

Grant income from governmental sources is recognized when related expenses have been incurred. Revenue from craft fairs including jury and booth fees are recognized at the time of the event. Membership dues are recognized in the applicable membership year.

Investments:

The Association accounts for investments in accordance with FASB Accounting Standards Codification topic relating to Accounting for Certain Investments Held by Not-for-Profit Organizations. Under FASB Accounting Standards Codification, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair market values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Property and Depreciation:

Property and equipment consists primarily of office equipment and furniture. Purchases above \$500 are recorded at cost. Depreciation is provided in amounts necessary to allocate the cost of assets over their estimated useful lives using the straight-line method. The estimated useful lives of all major classes of assets are as follows:

Computer software	3 years
Equipment	3-5 years
Furniture and fixtures	3 years
Leasehold improvements	39 years

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes:

The Association has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation.

The Association files a U.S. Federal Form 990-*Return of Organization Exempt from Income Tax*. The Association's returns for the years prior to fiscal year ended June 30, 2010 are no longer open for examination.

The Association has evaluated its tax positions in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. The Association believes that it has taken no uncertain tax positions.

Cash Equivalents:

For purposes of the statement of cash flows, the Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

Donated Services:

The Association receives volunteer services in its administrative and fund-raising efforts, particularly in the planning, promotion, and staging of its craft fairs. No amounts have been reflected in the financial statements as it was not practicable to determine the valuation of such services to the Association, and the Association exercises no significant control over the major elements of donated services.

Advertising:

Advertising costs are expensed when incurred.

TENNESSEE ASSOCIATION OF CRAFT ARTISTS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

2. CASH

Cash consists of the following at June 30, 2014:

Operating	\$ 65,803
Money Market	83,220
Chapter Accounts	<u>20,302</u>
	<u><u>\$ 169,325</u></u>

3. GRANTS

Funds received under the Tennessee Arts Commission grants are to be primarily used for the general support of the Association including general and administrative expenses. The Association is required to match the funds received.

Funds received under the Metropolitan Nashville Arts Commission grants are to be used as basic operating support. The Association is also required to match the funds received under these grants.

4. INVESTMENTS

Investments are reported at fair value as follows:

Vanguard Index Fund	<u><u>\$ 6,940</u></u>
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5. FAIR VALUE OF INVESTMENTS

The Association's investments are reported at fair value in the accompanying statements of financial position.

Fair Value Measurements at June 30, 2014 Using				
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Equities (mutual fund)	\$ 6,940	\$ -	\$ 6,940	\$ -
	<u><u>\$ 6,940</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,940</u></u>	<u><u>\$ -</u></u>

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

5. FAIR VALUE OF INVESTMENTS (CONTINUED)

The Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Board uses the appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 2 Fair Value Measurements - The fair value of the investments are based on inputs other than quoted prices within Level 1 that are observable for the asset, either directly, or indirectly.

Level 3 Fair Value Measurements - The fair value of the investments are based on at least one significant unobservable input.

6. OPERATING LEASE COMMITMENT

The Association leases office space for their operations under a noncancelable lease which expires July 2014. The Association also leases a copier under a noncancelable lease which expires in June 2014. Future minimum lease payments required under these operating leases are as follows:

Year Ending June 30,	Copier
2014	1,944
2015	1,944
2016	1,944
Total	<u>\$ 5,832</u>

TENNESSEE ASSOCIATION OF CRAFT ARTISTS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include the following at June 30, 2013:

Retail Exhibition Space	\$ 956
Heritage Craft Project	<u>6,500</u>
	<u><u>\$ 7,456</u></u>

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 1, 2014 which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

SCHEDULE OF GRANT ACTIVITY

FOR THE YEAR ENDED JUNE 30, 2014

<u>Program Name</u>	<u>Grantor Agency</u>	<u>Total Award</u>	<u>Grant Receivable (Unearned Revenue) Balance 6/30/2013</u>	<u>Cash Receipts</u>	<u>Expenditures (or amounts earned)</u>	<u>Grant Receivable (Unearned Revenue) Balance 6/30/2014</u>
Master Apprentice	Tennessee Arts Commission	16,600	-	16,600	16,600	-
Commission Initiatives	Tennessee Arts Commission	20,600	-	20,600	20,600	-
Basic Operating Support II	Metropolitan Nashville Arts Commission	29,500	-	29,500	29,500	-
			<u>\$ -</u>	<u>\$ 66,700</u>	<u>\$ 66,700</u>	<u>\$ -</u>