

**TENNESSEE ASSOCIATION OF  
CRAFT ARTISTS**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2011**

# 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 statement of financial position of the Tennessee Association of Craft Artists as of June 30, 2011, and the related statements of activities and cash flows for year then ended. These financial statements are the responsibility of the Association'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 audits 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 respects, the financial position of the Tennessee Association of Craft Artists as of June 30, 2011, 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.

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 14 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.

*Bellenfant & Miles, PLLC*

October 26, 2011

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2011**

**ASSETS**

**Current Assets**

Cash	\$ 120,410
Investments	4,400
Prepaid Insurance	<u>239</u>

Total Current Assets	<u>125,049</u>
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**Property and Equipment**

Computer software	865
Equipment	4,986
Furniture and fixtures	<u>5,202</u>

	11,053
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Less: accumulated depreciation	<u>(11,032)</u>
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Property and Equipment, net	<u>21</u>
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Total Assets	<u><u>\$ 125,070</u></u>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable and accrued expenses	\$ 3,833
Deferred revenue	<u>500</u>

Total Current Liabilities	<u>4,333</u>
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**Net Assets**

Unrestricted	
Undesignated	83,091
Designated- Chapter funds	17,190
Designated - Reserves	<u>13,000</u>

Total Unrestricted	113,281
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Temporarily Restricted	<u>7,456</u>
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Total Net Assets	<u>120,737</u>
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Total Liabilities and Net Assets	<u><u>\$ 125,070</u></u>
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The accompanying notes are an integral part of this statement.

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>			
Jury and booth fees	\$ 197,122	\$ -	\$ 197,122
Donations	57,205	-	57,205
Grant income	58,500	-	58,500
Membership dues	23,396	-	23,396
Storytelling	23,874	-	23,874
 Silent auction	 2,021	 -	 2,021
Chapter support	2,689	-	2,689
Miscellaneous	2,212	-	2,212
Interest and dividends	735	-	735
Realized gain on investments	875	-	875
 Total Revenue	 <u>368,629</u>	 <u>-</u>	 <u>368,629</u>
 <b>Expenses</b>			
Salaries	111,945	-	111,945
Payroll taxes	8,969	-	8,969
Sales taxes	2,219	-	2,219
Advertising	24,045	-	24,045
Postage and shipping	7,060	-	7,060
 Artists fees	 16,815	 -	 16,815
Specialized and contract services	1,000	-	1,000
Master apprentice expenses	6,350	-	6,350
Awards	22,354	-	22,354
Printing	10,329	-	10,329
 Miscellaneous	 3,924	 -	 3,924
Rent	43,602	-	43,602
Utilities and cleaning	15,807	-	15,807
Security	9,050	-	9,050
Supplies	6,770	-	6,770

The accompanying notes are an integral part of this statement.

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS**

**STATEMENT OF ACTIVITIES (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Expenses (Continued)</b>			
Travel and seminars	\$ 5,155	\$ -	\$ 5,155
Professional fees	17,546	-	17,546
Telephone and internet	3,256	-	3,256
Graphic design	11,337	-	11,337
Insurance	14,968	-	14,968
Depreciation	249	-	249
 Dues and subscriptions	 1,627	 -	 1,627
Bank fees and licenses	7,504	-	7,504
Contributions	3,286	-	3,286
Equipment lease	1,792	-	1,792
Rebates	3,212	-	3,212
	<hr/>	<hr/>	<hr/>
Total Expenses	360,171	-	360,171
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	8,458	-	8,458
	<hr/>	<hr/>	<hr/>
Net Assets, July 1, 2010	104,823	7,456	112,279
	<hr/>	<hr/>	<hr/>
Net Assets, June 30, 2011	<u>\$ 113,281</u>	<u>\$ 7,456</u>	<u>\$ 120,737</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, 2011**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 8,458
Depreciation	249
Realized Gain on Investments	(875)
Adjustments to reconcile change in net assets to net cash provided by operations	
(Increase) Decrease in:	
Prepaid Insurance	(239)
Grant receivable	7,600
Increase (Decrease) in:	
Accounts payable and accrued expenses	1,551
Deferred Revenue	<u>500</u>
Cash Provided by Operating Activities	<u>17,244</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sale of investments	<u>(153)</u>
Cash Used by Investing Activities	<u>(153)</u>
NET INCREASE IN CASH	17,091
Cash, July 1, 2010	<u>103,319</u>
Cash, June 30, 2011	<u><u>\$ 120,410</u></u>

The accompanying notes are an integral part of this statement.

# TENNESSEE ASSOCIATION OF CRAFT ARTISTS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Purpose:**

The Tennessee Association of Craft Artists ("TACA" or "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 TACA 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 TACA:

#### **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. As of June 30, 2011, the Association had no permanently restricted net assets.

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.



# TENNESSEE ASSOCIATION OF CRAFT ARTISTS

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **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. Assets are recorded at cost. Depreciation is provided in amounts necessary to allocate the cost of assets over their estimated useful lives using straight-line and accelerated methods. The estimated useful lives of all major classes of assets are as follows:

Computer software	3 years
Equipment	3 years
Furniture and fixtures	3 years

#### **Income Taxes:**

TACA 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 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:**

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.

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

**JUNE 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**2. CASH**

Cash consists of the following at June 30, 2011:

Operating	\$ 30,029
Money Market	73,192
Chapter Accounts	<u>17,189</u>
	<u><u>\$ 120,410</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>\$ 4,400</u></u>
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# **TENNESSEE ASSOCIATION OF CRAFT ARTISTS**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2011**

### **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, 2011 Using				
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Corporate Stocks	\$ 4,400	\$ -	\$ 4,400	\$ -
	<u>\$ 4,400</u>	<u>\$ -</u>	<u>\$ 4,400</u>	<u>\$ -</u>

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.

# TENNESSEE ASSOCIATION OF CRAFT ARTISTS

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**JUNE 30, 2011**

### **6. OPERATING LEASE COMMITMENT**

The Association leases office space for their operations under a noncancelable lease which expires January 2012. The Association also leases a copier under a noncancelable lease which expires in 2014. Future minimum lease payments required under these operating leases are as follows:

Year Ending June 30,	Office Space	Copier	Total
2012	\$ 4,900	\$ 1,632	\$ 6,532
2013	-	1,632	1,632
2014	-	1,632	1,632
Total	<u>\$ 4,900</u>	<u>\$ 4,896</u>	<u>\$ 9,796</u>

### **7. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets include the following at June 30, 2011:

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

### **8. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 26, 2011 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, 2011**

<u>Grant or Contract Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Total Award</u>	<u>Grant Receivable (Unearned Revenue) Balance 6/30/2010</u>	<u>Cash Receipts</u>	<u>Expenditures (or amounts earned)</u>	<u>Grant Receivable (Unearned Revenue) Balance 6/30/2011</u>
10-B2-09	General Operating	Tennessee Arts Commission	\$ 20,800	\$ -	\$ 20,800	\$ 20,800	\$ -
	Master Apprentice	Tennessee Arts Commission	18,000	-	18,000	18,000	-
	Basic Operating Support II	Metropolitan Nashville Arts Commission	38,000	7,600	7,600	-	-
11-B2-10	Basic Operating Support II	Metropolitan Nashville Arts Commission	19,700	-	19,700	19,700	-
				\$ 7,600	\$ 66,100	\$ 58,500	\$ -