

**TENNESSEE ASSOCIATION OF
CRAFT ARTISTS**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2012

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, 2012, 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 material respects, the financial position of the Tennessee Association of Craft Artists as of June 30, 2012, 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 29, 2012

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

ASSETS

Current Assets

| | |
|----------------------|----------------|
| Cash | \$ 114,301 |
| Investments | 4,633 |
| Grant receivable | 5,560 |
| Prepaid insurance | <u>239</u> |
| Total Current Assets | <u>124,733</u> |

Property and Equipment

| | |
|--------------------------------|--------------------------|
| Computer software | 865 |
| Equipment | 3,736 |
| Furniture and fixtures | <u>7,509</u> |
| | 12,110 |
| Less: accumulated depreciation | <u>(10,020)</u> |
| Property and Equipment, net | <u>2,090</u> |
| Total Assets | <u><u>\$ 126,823</u></u> |

LIABILITIES AND NET ASSETS

Current Liabilities

| | |
|---------------------------------------|--------------|
| Accounts payable and accrued expenses | \$ 1,479 |
| Deferred revenue | <u>200</u> |
| Total Current Liabilities | <u>1,679</u> |

Net Assets

| | |
|----------------------------------|--------------------------|
| Unrestricted | |
| Undesignated | 81,157 |
| Designated- Chapter funds | 23,531 |
| Designated - Reserves | <u>13,000</u> |
| Total Unrestricted | 117,688 |
| Temporarily Restricted | <u>7,456</u> |
| Total Net Assets | <u>125,144</u> |
| Total Liabilities and Net Assets | <u><u>\$ 126,823</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, 2012

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|-----------------------------------|---------------------|-----------------------------------|----------------|
| Support and Revenue | | | |
| Jury and booth fees | \$ 209,491 | \$ - | \$ 209,491 |
| Donations | 48,684 | - | 48,684 |
| Grant income | 69,980 | - | 69,980 |
| Membership dues | 28,988 | - | 28,988 |
| Storytelling | 27,105 | - | 27,105 |
| Silent auction | 1,940 | - | 1,940 |
| Chapter support | 50 | - | 50 |
| Miscellaneous | 1,521 | - | 1,521 |
| Interest and dividends | 220 | - | 220 |
| Gain on disposal of asset | 300 | - | 300 |
| Unrealized gain on investments | 233 | - | 233 |
| | <u>388,512</u> | <u>-</u> | <u>388,512</u> |
| Total Revenue | | | |
| Expenses | | | |
| Salaries | 133,559 | - | 133,559 |
| Payroll taxes | 9,422 | - | 9,422 |
| Sales taxes | 3,024 | - | 3,024 |
| Advertising | 18,684 | - | 18,684 |
| Postage and shipping | 6,274 | - | 6,274 |
| Storytelling | 19,688 | - | 19,688 |
| Artists fees | 4,709 | - | 4,709 |
| Specialized and contract services | 1,650 | - | 1,650 |
| Awards | 24,219 | - | 24,219 |
| Printing | 9,745 | - | 9,745 |
| Miscellaneous | 1,843 | - | 1,843 |
| Rent | 42,522 | - | 42,522 |
| Utilities and cleaning | 17,349 | - | 17,349 |
| Security | 8,710 | - | 8,710 |
| Supplies | 6,636 | - | 6,636 |

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, 2012

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-------------------|
| Expenses (Continued) | | | |
| Travel and seminars | \$ 4,867 | \$ - | \$ 4,867 |
| Professional fees | 26,097 | - | 26,097 |
| Telephone and internet | 3,388 | - | 3,388 |
| Graphic design | 7,625 | - | 7,625 |
| Insurance | 15,860 | - | 15,860 |
| Depreciation | 237 | - | 237 |
| | | | |
| Training | 1,590 | - | 1,590 |
| Dues and subscriptions | 2,139 | - | 2,139 |
| Bank fees and licenses | 9,442 | - | 9,442 |
| Contributions | 1,000 | - | 1,000 |
| Equipment lease | 1,896 | - | 1,896 |
| Rebates | 4,426 | - | 4,426 |
| | | | |
| Total Expenses | <u>386,601</u> | <u>-</u> | <u>386,601</u> |
| | | | |
| CHANGE IN NET ASSETS | <u>1,911</u> | <u>-</u> | <u>1,911</u> |
| | | | |
| Net Assets, July 1, 2011 (as previously stated) | 113,281 | 7,456 | 120,737 |
| | | | |
| Adjustment for chapter bank account | <u>2,496</u> | <u>-</u> | <u>2,496</u> |
| | | | |
| Net Assets, July 1, 2011 (restated) | <u>115,777</u> | <u>7,456</u> | <u>123,233</u> |
| | | | |
| Net Assets, June 30, 2012 | <u>\$ 117,688</u> | <u>\$ 7,456</u> | <u>\$ 125,144</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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|----------------|
| Change in Net Assets | \$ 1,911 |
| Depreciation | 237 |
| Unralized Gain on Investments | (233) |
| Adjustments to reconcile change in net assets to net cash provided by operations | |
| (Increase) Decrease in: | |
| Grant receivable | (5,560) |
| Increase (Decrease) in: | |
| Accounts payable and accrued expenses | (2,354) |
| Deferred Revenue | (300) |
| Cash Used by Operating Activities | <u>(6,299)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|-----------------------------------|--------------------------|
| Purchase of equipment | <u>(2,306)</u> |
| Cash Used by Investing Activities | <u>(2,306)</u> |
| NET DECREASE IN CASH | (8,605) |
| Cash, July 1, 2011 | <u>122,906</u> |
| Cash, June 30, 2012 | <u><u>\$ 114,301</u></u> |

The accompanying notes are an integral part of this statement.

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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.

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, 2012.

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, 2012.

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

JUNE 30, 2012

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 years |
| Furniture and fixtures | 3-5 years |

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

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.

2. CASH

Cash consists of the following at June 30, 2012:

| | | |
|------------------|----|---------|
| Operating | \$ | 27,572 |
| Money Market | | 63,198 |
| Chapter Accounts | | 23,531 |
| | | <hr/> |
| | \$ | 114,301 |
| | | <hr/> |

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

JUNE 30, 2012

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 | \$ 4,633 |
|---------------------|----------|

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, 2012 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) | \$ 4,633 | \$ - | \$ 4,633 | \$ - |
| | \$ 4,633 | \$ - | \$ 4,633 | \$ - |

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.

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

JUNE 30, 2012

5. FAIR VALUE OF INVESTMENTS (CONTINUED)

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 | | | |
|----------|------------------|-----------------|------------------|
| June 30, | Office Space | Copier | Total |
| 2013 | \$ 7,800 | \$ 1,632 | \$ 9,432 |
| 2014 | 7,800 | 1,632 | 9,432 |
| 2015 | 650 | - | 650 |
| Total | <u>\$ 16,250</u> | <u>\$ 3,264</u> | <u>\$ 19,514</u> |

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include the following at June 30, 2012:

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

8. PRIOR PERIOD ADJUSTMENT

It was discovered during the year that a bank account for one of the chapters was never added to the balance sheet, therefore a prior period adjustment was needed.

| | |
|---|-------------------|
| Unrestricted Net Assets, July 1, 2011 | \$ 113,281 |
| Adjustment to add chapter bank account to balance sheet | <u>2,496</u> |
| Unrestricted Net Assets, July 1, 2011 Restated | <u>\$ 115,777</u> |

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 29, 2012 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, 2012

| Program Name | Grantor Agency | Total Award | Grant Receivable (Unearned Revenue) Balance 6/30/2011 | Cash Receipts | Expenditures (or amounts earned) | Grant Receivable (Unearned Revenue) Balance 6/30/2012 |
|-------------------------------|--|----------------|--|------------------|--|--|
| General Operating | Tennessee Arts Commission | \$ 27,800 | \$ - | \$ 22,240 | \$ 27,800 | \$ 5,560 |
| Master Apprentice | Tennessee Arts Commission | 19,000 | - | 19,000 | 19,000 | - |
| Technical Assistance | Tennessee Arts Commission | 3,500 | - | 3,480 | 3,480 | - |
| Basic Operating Support II | Metropolitan Nashville Arts Commission | 19,700 | - | 19,700 | 19,700 | - |
| | | | \$ - | \$ 64,420 | \$ 69,980 | \$ 5,560 |

* The remaining \$20 of this total award will not be received.