

**TENNESSEE ASSOCIATION OF
CRAFT ARTISTS**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2010

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, 2010, 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, 2010, 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 12 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

December 1, 2010

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

ASSETS

Current Assets

Cash	\$ 103,319
Investments	3,372
Grant receivable	7,600
Total Current Assets	<u>114,291</u>

Property and Equipment

Computer software	865
Equipment	4,986
Furniture and fixtures	5,202
	<u>11,053</u>
Less: accumulated depreciation	<u>(10,783)</u>
Property and Equipment, net	<u>270</u>

Total Assets \$ 114,561

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	<u>\$ 2,282</u>
Total Current Liabilities	<u>2,282</u>

Net Assets

Unrestricted	
Undesignated	55,543
Designated- Chapter funds	18,425
Designated - Educational funds	17,855
Designated - Reserves	13,000
Temporarily Restricted	7,456
Total Net Assets	<u>112,279</u>

Total Liabilities and Net Assets \$ 114,561

The accompanying notes are an integral part of this statement.

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Jury and booth fees	\$ 176,200	\$ -	\$ 176,200
Donations	43,703	-	43,703
Grant income	83,000	-	83,000
Membership dues - TACA	23,367	-	23,367
Interest and Dividends	1,872	-	1,872
Miscellaneous	496	-	496
Realized Gain on Investments	14,472	-	14,472
Total Revenue	343,110	-	343,110
Expenses			
Salaries	123,477	-	123,477
Payroll taxes	10,379	-	10,379
Advertising	21,380	-	21,380
Postage and shipping	5,136	-	5,136
Artists fees	17,188	-	17,188
Specialized and contract services	3,155	-	3,155
Master apprentice expenses	12,690	-	12,690
Awards	9,300	-	9,300
Printing	9,080	-	9,080
Miscellaneous	2,983	-	2,983
Rent	38,510	-	38,510
Utilities and cleaning	14,732	-	14,732
Security	9,419	-	9,419
Supplies	7,521	-	7,521
Travel and seminars	5,925	-	5,925
Professional fees	6,355	-	6,355
Telephone and internet	2,997	-	2,997
Graphic design	8,511	-	8,511

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, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Expenses (Continued)			
Insurance	\$ 12,571	\$ -	\$ 12,571
Depreciation	585	-	585
Dues and subscriptions	2,105	-	2,105
Equipment lease	1,964	-	1,964
Rebates	4,001	-	4,001
	<hr/>	<hr/>	<hr/>
Total Expenses	329,964	-	329,964
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	13,146	-	13,146
	<hr/>	<hr/>	<hr/>
Net Assets, July 1, 2009	91,677	7,456	99,133
	<hr/>	<hr/>	<hr/>
Net Assets, June 30, 2010	<u>\$ 104,823</u>	<u>\$ 7,456</u>	<u>\$ 112,279</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, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 13,146
Depreciation	585
Adjustments to reconcile change in net assets to net cash provided by operations	
(Increase) Decrease in:	
Accounts receivable	2,107
Grant receivable	(2,344)
Increase (Decrease) in:	
Accounts payable and accrued expenses	<u>(5,974)</u>
Cash Provided by Operating Activities	<u>7,520</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments	<u>54,852</u>
Cash Provided by Investing Activities	<u>54,852</u>
NET INCREASE IN CASH	62,372
Cash, July 1, 2009	<u>40,947</u>
Cash, June 30, 2010	<u><u>\$ 103,319</u></u>

The accompanying notes are an integral part of this statement.

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2010, 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, 2010

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, 2010

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, 2010:

Operating - Green Bank	\$ 10,858
Vanguard Money Market Fund	73,175
Money Market - Green Bank	651
Chapter Accounts	18,425
Petty Cash	210
	<u>\$ 103,319</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>\$ 3,372</u>
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TENNESSEE ASSOCIATION OF CRAFT ARTISTS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

5. OPERATING LEASE COMMITMENT

The Association leases office space for their operations under a noncancelable lease which expires January 2011. 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,	<u>Office Space</u>	<u>Copier</u>	<u>Total</u>
2011	\$ 4,515	\$ 1,632	\$ 6,147
2012	-	1,632	1,632
2013	-	1,632	1,632
2014	-	1,632	1,632
2015	-	-	-
Total	<u>\$ 4,515</u>	<u>\$ 6,528</u>	<u>\$ 11,043</u>

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include the following at June 30, 2010:

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

7. PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2010, the Association wrote off an intangible asset purchased five years ago. A prior period adjustment to net assets was made.

Undesignated Net Assets, July 1, 2009	\$ 117,549
Write-off of intangible assets	<u>(18,416)</u>
Undesignated Net Assets, July 1, 2009 Restated	<u>\$ 99,133</u>

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 1, 2010 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, 2010

Grant or Contract Number	Program Name	Grantor Agency	Total Award	Grant Receivable (Unearned Revenue)		Expenditures (or amounts earned)	Grant Receivable (Unearned Revenue) Balance <u>6/30/2010</u>
				Balance <u>6/30/2009</u>	Cash Receipts		
Z-09-21826-00	General Operating	Tennessee Arts Commission	\$ 40,000	\$ 5,256	\$ 5,256	\$ -	\$ -
	Master Apprentice	Tennessee Arts Commission	18,000	-	18,000	18,000	-
	Partnership Support	Tennessee Arts Commission	24,000	-	24,000	24,000	-
	Technical Assistance	Tennessee Arts Commission	3,000	-	3,000	3,000	-
10-B2-09	Basic Operating Support II	Metropolitan Nashville Arts Commission	38,000	-	30,400	38,000	7,600
			<u>\$ 123,000</u>	<u>\$ 5,256</u>	<u>\$ 80,656</u>	<u>\$ 83,000</u>	<u>\$ 7,600</u>