

**TENNESSEE ASSOCIATION OF
CRAFT ARTISTS**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2009

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, 2009, and the related statement of activities and cash flows for the six months 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, 2009, and the changes in its net assets and its cash flows for the six months then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Grant Activity is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bellenfant & Miles, PLLC

November 13, 2009

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2009

ASSETS

Current Assets

Cash	\$ 40,947
Investments	58,224
Accounts Receivable	2,107
Grant Receivable	5,256
Total Current Assets	<u>106,534</u>

Property and Equipment

Computer software	865
Website design	18,416
Equipment	4,986
Furniture and fixtures	5,202
	<u>29,469</u>
Less: Accumulated Depreciation	(10,198)
Property and Equipment, net	<u>19,271</u>

Total Assets	<u><u>\$ 125,805</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable and accrued expenses	<u>\$ 8,256</u>
Total Current Liabilities	<u>8,256</u>

Net Assets

Unrestricted	
Undesignated	61,471
Designated- chapter funds	17,767
Designated - educational funds	17,855
Designated - reserves	13,000
Temporarily restricted	7,456
Total Net Assets	<u>117,549</u>

Total Liabilities and Net Assets	<u><u>\$ 125,805</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 SIX MONTHS ENDED JUNE 30, 2009

Support and Revenue

Jury and booth fees	\$ 78,070
Donations	43,305
Grant income	32,389
Membership dues - TACA	24,221
Interest and Dividends	1,058
Miscellaneous	2,972
Total Revenue	<u>182,015</u>

Expenses

Salaries	72,162
Payroll taxes	6,123
Advertising	13,092
Postage and shipping	2,701
Printing	5,345
Artists fees	16,373
Security	5,099
Specialized and contract services	2,540
Miscellaneous	4,285
Rent	12,513
Utilities and cleaning	6,682
Awards	6,750
Supplies	10,698
Travel and seminars	1,737
Professional fees	6,382
Telephone and internet	1,161

The accompanying notes are an integral part of this statement.

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

STATEMENT OF ACTIVITIES (CONTINUED)

FOR THE SIX MONTHS ENDED JUNE 30, 2009

EXPENSES - (CONTINUED)

Insurance	\$ 6,008
Deprecation	805
Dues and subscriptions	200
Equipment lease	1,138
Rebates	<u>3,972</u>
TOTAL EXPENSES	<u>185,766</u>
CHANGE IN NET ASSETS	(3,751)
Transfer from other entities	17,767
Net Assets, January 1, 2009	<u>103,533</u>
Net Assets, June 30, 2009	<u>\$ 117,549</u>

The accompanying notes are an integral part of this statement.

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (3,751)
Depreciation and amortization	805
Adjustments to reconcile change in net assets to net cash used by operations:	
(Increase) Decrease in:	
Accounts Receivable	(2,107)
Grants Receivables	(5,256)
Increase (Decrease) in:	
Accounts payable and accrued expenses	<u>(17,415)</u>
Cash Used by Operating Activities	<u>(27,724)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Change in investments	<u>(1,805)</u>
Cash Provided by Investing Activities	<u>(1,805)</u>
Transfer from other entities	17,767
NET DECREASE IN CASH	(29,529)
Cash, January 1, 2009	<u>52,709</u>
Cash, June 30, 2009	<u><u>\$ 40,947</u></u>

The accompanying notes are an integral part of this statement.

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tennessee Association of Craft Artists (TACA), the "Organization", 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:

Accounting Method:

The financial statements include the accounts of TACA and they do not include activities of TACA's chapter organizations.

TACA's accounting records are maintained in accordance with requirements as stated in *Nonprofit Organizations* as published by the American Institute of Certified Public Accountants. The Organization reports on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Financial Statement Presentation:

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization 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. In addition, the Organization is required to present a statement of cash flows. There were no permanently restricted net assets at June 30, 2009. Also the Organization's board may designate certain unrestricted net assets for particular purposes.

Contributions:

The Organization has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Organization's policy is to recognize temporarily restricted contributions as unrestricted if such restrictions are met in the year the contribution is received.

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Organization accounts for investments in accordance with SFAS No. 124 "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, 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	3-5 years
Equipment	5-10 years
Furniture and fixtures	7-10 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.

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents:

The Organization 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.

Contributed Services:

No contributed services meeting the criteria for recognition were received for the year ended June 30, 2009. However, the Organization 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 recognized in the accompanying statements of activities because criteria for recognition of such volunteer effort under SFAS No. 116 has not been satisfied.

Advertising:

Advertising costs are expensed when incurred.

2. CASH

Cash consists of the following at June 30, 2009:

Operating - Green Bank	\$ 9,365
Vanguard Money Market Fund	13,164
Money Market - Green Bank	651
Chapter Accounts	17,767
	<u>\$ 40,947</u>

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009

3. GRANTS

Funds received under the Tennessee Arts Commission grants are to be primarily used for the general support of the Organization including general and administrative expenses. The Organization 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 Organization 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>\$ 58,224</u>
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5. OPERATING LEASE COMMITMENT

The Organization leases office space for their operations under a noncancelable lease which expires in 2010. Future minimum lease payments required under this operating lease that has initial or remaining noncancelable lease terms of less than one year as of June 30, 2009 are as follows:

Year Ending		
June 30,		
	2009	4,515
	Total	<u>\$ 4,515</u>

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

JUNE 30, 2009

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include the following at June 30:

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

7. TRANSFER FROM OTHER ENTITIES

As of June 30, 2009 the local chapters transferred cash assets of \$17,767 to the association.

SUPPLEMENTAL INFORMATION

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

SCHEDULE OF GRANT ACTIVITY

FOR THE YEAR ENDED JUNE 30, 2009

<u>Grant or Contract Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Total Award</u>	<u>Grant Receivable (Unearned Revenue) Balance 12/31/2008</u>	<u>Cash Receipts</u>	<u>Expenditures (or amounts earned)</u>	<u>Grant Receivable (Unearned Revenue) Balance 6/30/2009</u>
Z-08-21826-00	General Operating	Tennessee Arts Commission	40,000	-	21,024	26,280	5,256
Basic II #09	Basic Operating Support	Metropolitan Nashville Arts Commission					
			<u>17,465</u>	<u>-</u>	<u>6,109</u>	<u>6,109</u>	<u>-</u>
			<u>\$ 57,465</u>	<u>\$ -</u>	<u>\$ 27,133</u>	<u>\$ 32,389</u>	<u>\$ 5,256</u>