

**TENNESSEE ASSOCIATION OF
CRAFT ARTISTS
D/B/A TENNESSEE CRAFT**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2015

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT**

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BELLENFANT

CERTIFIED PUBLIC ACCOUNTING FIRM

Professional Accounting & Consulting Services

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Tennessee Association of Craft Artists
d/b/a Tennessee Craft
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, 2015, 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, 2015, 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 Matters

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.

September 30, 2015

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015**

ASSETS

Current Assets

Cash	\$ 173,588
Grants Receivable	16,076
Investments	7,445
Prepaid Insurance	<u>1,739</u>

Total Current Assets	<u>198,848</u>
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Property and Equipment

Computer Software	865
Equipment	6,783
Furniture and Fixtures	8,212
Leasehold Improvements	<u>975</u>

	16,835
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Less: Accumulated Depreciation	<u>(10,056)</u>
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Property and Equipment, net	<u>6,779</u>
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Total Assets	<u><u>\$ 205,627</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable and Accrued Expenses	<u>\$ 1,865</u>
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Total Current Liabilities	<u>1,865</u>
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Net Assets

Unrestricted	
Undesignated	159,908
Designated- Chapter funds	23,118
Designated - Reserves	<u>13,000</u>

Total Unrestricted	196,026
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Temporarily Restricted	<u>7,736</u>
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Total Net Assets	<u>203,762</u>
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Total Liabilities and Net Assets	<u><u>\$ 205,627</u></u>
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The accompanying notes are an integral part of this statement.

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Jury and Booth Fees	\$ 262,984	\$ -	\$ 262,984
Donations	64,041	280	64,321
Grant Income	80,380	-	80,380
Membership Dues	30,441	-	30,441
Chapter support	27,980	-	27,980
Other	598	-	598
	<u>466,424</u>	<u>280</u>	<u>466,704</u>
Expenses			
Program Services	<u>292,108</u>	<u>-</u>	<u>292,108</u>
Supporting Services			
Management and General	127,803	-	127,803
Fundraising	22,337	-	22,337
Total Supporting Services	<u>150,140</u>	<u>-</u>	<u>150,140</u>
Total Expenses	<u>442,248</u>	<u>-</u>	<u>442,248</u>
CHANGE IN NET ASSETS	24,176	280	24,456
Net Assets, July 1, 2014	<u>171,850</u>	<u>7,456</u>	<u>179,306</u>
Net Assets, June 30, 2015	<u>\$ 196,026</u>	<u>\$ 7,736</u>	<u>\$ 203,762</u>

The accompanying notes are an integral part of this statement.

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015**

	Program	Supporting Services		Total
	Services	Management and General	Fundraising	
Salaries	\$ 81,279	\$ 46,813	\$ 19,072	\$ 147,164
Payroll Taxes	6,240	3,594	1,464	11,298
Sales Taxes	4,102	-	-	4,102
Advertising	17,542	406	25	17,973
Postage and Shipping	6,306	480	407	7,193
Artists Fees	42,663	6,000	150	48,813
Specialized and Contract Services	350	-	-	350
Awards	23,428	-	-	23,428
Printing	9,062	563	690	10,315
Miscellaneous	1,122	6,253	-	7,375
Rent	31,191	10,890	-	42,081
Utilities and Cleaning	12,910	-	-	12,910
Security	10,944	-	-	10,944
Supplies	5,131	1,177	-	6,308
Travel and Seminars	4,721	1,744	17	6,482
Professional Fees	6,231	21,406	-	27,637
Telephone and Internet	-	2,518	-	2,518
Graphic Design	8,585	2,955	335	11,875
Insurance	539	15,689	85	16,313
Depreciation	-	1,354	-	1,354
Training	1,218	1,361	-	2,579
Dues and Subscriptions	500	1,230	-	1,730
Bank Fees and Licenses	12,071	915	-	12,986
Contributions	600	140	-	740
Equipment Lease	-	2,315	92	2,407
Rebates	5,373	-	-	5,373
Total Expenses	<u>\$ 292,108</u>	<u>\$ 127,803</u>	<u>\$ 22,337</u>	<u>\$ 442,248</u>

The accompanying notes are an integral part of this statement.

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 24,456
Depreciation	1,354
Unrealized Gain on Investments	(505)
Adjustments to reconcile change in net assets to net cash provided by operations	
(Increase) Decrease in:	
Prepaid Insurance	1,564
Accounts Receivable	(3,320)
Grants Receivable	(12,756)
Increase (Decrease) in:	
Accounts payable and accrued expenses	<u>(1,632)</u>
Cash Used by Operating Activities	<u>9,161</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Equipment	<u>(4,898)</u>
Cash Used by Investing Activities	<u>(4,898)</u>
NET INCREASE IN CASH	4,263
Cash, July 1, 2014	<u>169,325</u>
Cash, June 30, 2015	<u><u>\$ 173,588</u></u>

The accompanying notes are an integral part of this statement.

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose:

Tennessee Craft 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 Tennessee Craft 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 Tennessee Craft:

Financial Statement Presentation:

The financial statements of Tennessee Craft 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, Tennessee Craft 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 Tennessee Craft 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. Tennessee Craft had temporarily restricted net assets of \$7,736 as of June 30, 2015.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by Tennessee Craft. Generally donors of these assets permit Tennessee Craft to use all or part of the income earned for general or specific purposes. Tennessee Craft had no permanently restricted net assets as of June 30, 2015.

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (CONTINUED):

Tennessee Craft 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 in accordance with the respective grant contract. 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:

Tennessee Craft 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
D/B/A TENNESSEE CRAFT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes:

Tennessee Craft 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 Craft files a U.S. Federal Form 990-Return of Organization Exempt from Income Tax. Tennessee Craft's returns for the years prior to fiscal year ended June 30, 2011 are no longer open for examination.

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

Cash Equivalents:

For purposes of the statement of cash flows, Tennessee Craft 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:

Tennessee Craft 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 Tennessee Craft, and Tennessee Craft exercises no significant control over the major elements of donated services.

Advertising:

Advertising costs are expensed when incurred.

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2015

2. CASH

Cash consists of the following at June 30, 2015:

Operating	\$ 67,242
Money Market	83,228
Chapter Accounts	<u>23,118</u>
	<u>\$ 173,588</u>

3. GRANTS

Funds received under the Tennessee Arts Commission grants are to be primarily used for the general support of Tennessee Craft including general and administrative expenses. Funds received under the Metropolitan Nashville Arts Commission grants are to be used as basic operating support.

4. INVESTMENTS

Investments are reported at fair value as follows:

Vanguard Index Fund	<u>\$ 7,445</u>
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5. FAIR VALUE OF INVESTMENTS

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

Fair Value Measurements at June 30, 2015 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)	\$ 7,445	\$ 7,445	\$ -	\$ -
	<u>\$ 7,445</u>	<u>\$ 7,445</u>	<u>\$ -</u>	<u>\$ -</u>

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2015

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

Tennessee Craft leases office space for their operations under a noncancelable lease which expires July 2015. Tennessee Craft also leases a copier under a noncancelable lease which expires in June 2015. Future minimum lease payments required under these operating leases are as follows:

Year Ending June 30,	Copier
2015	1,944
2016	1,944
Total	<u>\$ 3,888</u>

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2015

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include the following at June 30, 2015:

Retail Exhibition Space	\$	956
Heritage Craft Project		6,500
Other		280
		<hr/>
	\$	<u>7,736</u>

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 30, 2015 which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
SCHEDULE OF GRANT ACTIVITY**

FOR THE YEAR ENDED JUNE 30, 2015

Program Name	Grantor Agency	Total Award	Grant Receivable		Expenditures (or amounts earned)	Grant Receivable	
			Balance 7/1/2014	Cash Receipts		Balance 6/30/2015	
Master Apprentice	Tennessee Arts Commission	16,600	-	13,280	16,600	3,320	
Partnership Support	Tennessee Arts Commission	21,000	-	16,800	21,000	4,200	
Metro Arts	Metropolitan Nashville Arts Commission	42,780	-	34,224	42,780	8,556	
			\$ -	\$ 64,304	\$ 80,380	\$ 16,076	