

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2021

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

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BELLENFANT

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tennessee Association of Craft Artists
d/b/a Tennessee Craft
Nashville, Tennessee

We have audited the accompanying financial statements of Tennessee Association of Craft Artists which comprise the statement of financial position as of June 30, 2021, 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.

Auditor's 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 auditor's 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 Tennessee Association of Craft Artists as of June 30, 2021, 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.

Report on Supplementary Information

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.

Bellenfant, PLLC

Nashville, Tennessee

September 23, 2021

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 211,144
Grants Receivable	20,357
Investments	17,363
Prepaid Expenses	<u>1,516</u>

Total Current Assets	<u>250,380</u>
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FIXED ASSETS

Computer Software	21,755
Equipment	6,783
Furniture and Fixtures	8,212
Leasehold Improvements	<u>975</u>
Fixed Assets, gross	37,725

Less: Accumulated Depreciation	<u>(35,972)</u>
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Fixed Assets, net	<u>1,753</u>
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Total Assets	<u><u>\$ 252,133</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ 1,907
SBA Payroll Protection Program Loan Payable	<u>36,415</u>

Total Current Liabilities	<u>38,322</u>
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NET ASSETS

Without Donor Restrictions	186,890
With Donor Restrictions	<u>26,921</u>

Total Net Assets	<u>213,811</u>
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Total Liabilities and Net Assets	<u><u>\$ 252,133</u></u>
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The Independent Auditor's Report and accompanying notes are an integral part of these financial statements.

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Jury and Booth Fees	\$ 103,321	\$ -	\$ 103,321
Donations	98,270	-	98,270
Grant Income	124,785	-	124,785
Membership Dues	23,194	-	23,194
Interest and Dividends	318	-	318
SBA Loan Forgiveness	36,415	-	36,415
EIDL Loan Forgiveness	4,000	-	4,000
Unrealized Gain from Investment	4,799	-	4,799
Net Assets Released from Restrictions	<u>579</u>	<u>(579)</u>	<u>-</u>
 Total Revenue	 <u>395,681</u>	 <u>(579)</u>	 <u>395,102</u>
 EXPENSES			
 Program Services	 <u>247,212</u>	 <u>-</u>	 <u>247,212</u>
Supporting Services			
Management and General	105,193	-	105,193
Fundraising	<u>31,819</u>	<u>-</u>	<u>31,819</u>
Total Supporting Services	<u>137,012</u>	<u>-</u>	<u>137,012</u>
 Total Expenses	 <u>384,224</u>	 <u>-</u>	 <u>384,224</u>
 Change in Net Assets	 11,457	 (579)	 10,878
 Net Assets, Beginning of Year	 <u>175,433</u>	 <u>27,500</u>	 <u>202,933</u>
 Net Assets, End of Year	 <u><u>\$ 186,890</u></u>	 <u><u>\$ 26,921</u></u>	 <u><u>\$ 213,811</u></u>

The Independent Auditor's Report and accompanying notes are an integral part of these financial statements.

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	Program	Supporting Services		
	Services	Management and General	Fundraising	Total
Salaries	\$ 91,185	\$ 28,810	\$ 28,018	\$ 148,013
Payroll Taxes	7,071	2,228	2,170	11,469
Advertising	5,129	-	-	5,129
Postage and Shipping	1,264	88	407	1,759
Artists Fees	65,035	-	-	65,035
Specialized and Contract Services	1,000	-	-	1,000
Printing	554	-	155	709
Information Technology	29,811	5,010	-	34,821
Rent	10,610	18,660	-	29,270
Utilities and Cleaning	3,765	2,053	-	5,818
Security	6,885	349	-	7,234
Supplies	7,359	254	-	7,613
Travel and Seminars	7	445	-	452
Professional Fees	3,253	30,229	-	33,482
Telephone and Internet	-	2,805	-	2,805
Graphic Design	2,170	-	-	2,170
Insurance	294	3,518	91	3,903
Depreciation	-	1,543	-	1,543
Training	100	2,900	-	3,000
Dues and Subscriptions	216	1,765	-	1,981
Bank Fees and Licenses	6,607	2,105	-	8,712
Contributions	1,625	-	978	2,603
Equipment Lease	-	2,431	-	2,431
Rebates	3,272	-	-	3,272
Total Expenses	<u>\$ 247,212</u>	<u>\$ 105,193</u>	<u>\$ 31,819</u>	<u>\$ 384,224</u>

The Independent Auditor's Report and accompanying notes are an integral part of these financial statements.

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 10,878
Adjustments to reconcile change in net assets to net cash provided (used) by operations	
Depreciation	1,543
(Increase) Decrease in:	
Grants Receivable	2,071
Prepaid Expenses	(1,252)
Deposits	1,252
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	(104)
Deferred Revenue	(20,675)
	<hr/>
Cash Provided (Used) by Operating Activities	(6,287) <hr/>

CASH FLOWS FROM FINANCING ACTIVITIES

SBA Economic Injury Disaster Loan Payable	(4,000)
SBA Payroll Protection Program 1 Loan Payable	(36,415)
SBA Payroll Protection Program 2 Loan Payable	36,415
	<hr/>
Cash Provided (Used) by Financing Activities	(4,000) <hr/>

CASH FLOWS FROM INVESTING ACTIVITIES

Unrealized Gain (Loss) on Investments	(5,028)
	<hr/>
Cash Provided (Used) by Investing Activities	(5,028) <hr/>
Net Increase (Decrease) in Cash	(15,315)
Cash and Cash Equivalents, Beginning of Year	226,459
	<hr/>
Cash and Cash Equivalents, End of Year	<u>\$ 211,144</u>

The Independent Auditor's Report and accompanying notes are an integral part of these financial statements.

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose

Tennessee Craft was incorporated in 1972 as a Tennessee non-profit Association. 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.

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 Associations. 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.

Net assets without donor restrictions- These are net assets that are not subject to donor-imposed stipulations. The Association had \$186,890 of net assets without donor restrictions as of June 30, 2021.

Net assets with donor restrictions - These are 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. This classification also includes 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 \$26,921 of net assets with donor restrictions as of June 30, 2021.

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.

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Associations. 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.

Fixed Assets

Fixed assets 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

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 Association that is not a private foundation.

Tennessee Craft files a U.S. Federal Form 990-Return of Association Exempt from Income Tax. Tennessee Craft's returns for the years prior to fiscal year ended June 30, 2018 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 twelve months or less when purchased to be cash equivalents.

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenue Recognition

The Organization recognizes revenue related to Jury Booth Fees, Donations, and Membership Dues at the point in time, for which the transactions occurs or the service and associated benefits are provided.

Grant income is recognized over the grant period in relation to the expenditures incurred and services provided, as outlined in the grant documents. Cash received in excess of grant expenditures to date is recorded as deferred revenue, and an account receivable is recorded when allowable expenditures exceed cash received.

Accounting Policies for Future Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending June 30, 2023. The Association is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In September 2020, FASB issued ASU 2020-07, Gifts-In-Kind Presentation and Disclosure. The standard requires that all gifts-in-kind to be disclosed as a separate line item on the Statement of Activities as well as a disclosure in the notes of the financial statements segregating and disclosing each category of gifts-in-kind received during the fiscal year. This distinction will provide more transparency on non-monetary revenues received by the Organization. This standard will be effective for the fiscal year ending June 30, 2022. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of the following as of June 30, 2021:

Operating Account	\$ 89,466
Money Market Account	87,919
Chapter Accounts	<u>33,759</u>
	<u>\$ 211,144</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. As of June 30, 2021, grants receivable was composed of the following:

Tennessee Arts Commission	\$ 10,397
Metro Nashville Arts Commission	<u>9,960</u>
Total Grants Receivable	<u>\$ 20,357</u>

4. INVESTMENTS

Investments are reported at fair value as follows:

Vanguard Index Fund	<u>\$ 17,363</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, 2021				
		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)	\$ 17,363	\$ 17,363	\$ -	\$ -
	<u>\$ 17,363</u>	<u>\$ 17,363</u>	<u>\$ -</u>	<u>\$ -</u>

TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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. SMALL BUSINESS ADMINISTRATION LOANS

In reponse to the pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and it was signed into law on March 27, 2020. The CARES Act implemented the Payroll Protection Program (PPP), which provides loans to small businesses and charitable organizations to keep their employees on payroll. Tennessee Craft obtained a PPP Loan for \$36,415 on May 1, 2020. The portion of loan proceeds that was spent on qualified payroll costs and operational expenses was forgiven on June 16, 2021.

The Association received a second PPP Loan for \$36,415 on March 22, 2021. This loan has yet to be forgiven.

7. OPERATING LEASE COMMITMENT

Tennessee Craft leases office space for their operations on a month-by-month basis. Tennessee Craft also leases a copier under a noncancelable lease which expires in June 2022. Future minimum lease payments required under these operating leases are as follows:

	<u>Copier</u>
2022	<u>1,776</u>
Total	<u><u>\$ 1,776</u></u>

TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

8. AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Association's financial assets as of June 30, 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets, at year-end	\$ 228,507
Less: cash held in investments	<u>(17,363)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 211,144</u>

There is an adequate amount of financial assets available as of June 30, 2021. The Association effectively manages its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet date.

9. UNCERTAINTIES

On March 11, 2020, the World Health Organization characterized the outbreak of the COVID-19 coronavirus as a pandemic. Since the Organization receives the majority of its revenue from reimbursable grants, the ongoing pandemic may significantly impact the Organization's ability to generate revenue.

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 23, 2021 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, 2021

<u>Program Name</u>	<u>Grantor Agency</u>	<u>Total Award</u>	<u>Grant Receivable Balance 7/1/2020</u>	<u>Cash Receipts</u>	<u>Expenditures (or amounts earned)</u>	<u>Grant Receivable Balance 6/30/2021</u>
Metro Arts Award	Metropolitan Nashville Arts Commission	71,985	3,748	61,588	71,985	10,397
TN Arts Commission - Partnership Support	Tennessee Arts Commission	36,200	18,680	36,200	36,200	-
TN Arts Commission - Master Apprentice	Tennessee Arts Commission	16,600	-	6,640	16,600	9,960
			<u>\$ 22,428</u>	<u>\$ 104,428</u>	<u>\$ 124,785</u>	<u>\$ 20,357</u>