

**TENNESSEE ASSOCIATION OF
CRAFT ARTISTS**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2007

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

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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 December 31, 2007, and the related statement of activities, and cash flows for the 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 December 31, 2007, 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.

May 15, 2008

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2007

ASSETS

Current Assets

Cash	\$ 91,289
Grant receivables	2,781
Prepaid Expenses	7,074
Investments	86,631
Total Current Assets	<u>187,775</u>

Property and Equipment

Computer software	4,600
Website design	17,000
Equipment	10,973
Furniture and fixtures	6,048
	<u>38,621</u>
Less: Accumulated Depreciation	(18,700)
Property and Equipment, net	<u>19,921</u>

Total Assets	<u><u>\$ 207,696</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable and accrued expenses	\$ 5,835
Unearned Grant revenues	5,194
Total Current Liabilities	<u>11,029</u>

Net Assets

Unrestricted	
Undesignated	131,356
Designated - educational funds	17,855
Designated - reserves	40,000
Temporarily restricted	7,456
Total Net Assets	<u>196,667</u>

Total Liabilities and Net Assets	<u><u>\$ 207,696</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 YEAR ENDED DECEMBER 31, 2007

Support and Revenue

Jury and booth fees	\$ 195,561
Donations	64,132
Grant income	32,562
Craft fair	5,199
Membership dues - TACA	25,657
Marketing	4,735
Interest	6,260
Unrealized gains on investments	2,947
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Total Revenue	337,053

Expenses

Salaries	99,336
Facility expense	48,494
Advertising	34,592
Postage and shipping	5,894
Printing	20,969
Artists fees	14,635
Security	17,600
Specialized and contract services	37,968
Miscellaneous	5,841
Occupancy	11,970
Awards	11,242
Supplies	5,445
Travel and seminars	6,232
Payroll taxes	8,191
Audit	5,250
Telephone	2,085

The accompanying notes are an integral part of this statement.

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

STATEMENT OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2007

EXPENSES - (CONTINUED)

Insurance	10,594
Screening and jury fees	290
Deprecation and amortization	2,481
Scholarship grants	1,700
Equipment lease	<u>1,606</u>
 TOTAL EXPENSES	 <u>352,415</u>
 CHANGE IN UNRESTRICTED NET ASSETS	 (15,362)
 Change in temporarily restricted net assets	
Net Assets released from restrictions	<u>(16,000)</u>
 Total Change in Net Assets	 (31,362)
 Net Assets, January 1, 2007	 <u>228,029</u>
 Net Assets, December 31, 2007	 <u><u>\$ 196,667</u></u>

The accompanying notes are an integral part of this statement.

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (31,362)
Depreciation and amortization	2,481
Adjustments to reconcile change in net assets to net cash provided by operations:	
(Increase) Decrease in:	
Grants and other receivables	18,944
Prepaid expenses	3,415
Deposits	782
Increase (Decrease) in:	
Accounts payable and accrued expenses	5,981
Unearned grant revenues	<u>5,194</u>
Cash Provided by Operating Activities	<u>5,435</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Change in investments	<u>(1,632)</u>
Cash Used by Investing Activities	<u>(1,632)</u>
NET INCREASE IN CASH	3,803
Cash, January 1, 2007	<u>87,486</u>
Cash, December 31, 2007	<u><u>\$ 91,289</u></u>

The accompanying notes are an integral part of this statement.

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

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 the 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 asset as December 31, 2007. 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 made.

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

DECEMBER 31, 2007

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
Website Design	4 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)

DECEMBER 31, 2007

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 December 31, 2007. 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 December 31:

Operating - Green Bank	\$ 17,054
Vanguard	31,561
Money Market - Green Bank	2,651
Reserves - Vanguard	40,000
Petty Cash	23
	<u>\$ 91,289</u>

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

DECEMBER 31, 2007

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 consist of the following at December 31:

Vanguard Index Fund	<u>\$ 86,631</u>
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During 2007, realized and unrealized gains on investments totaled \$2,947.

5. OPERATING LEASE COMMITMENT

The Organization leases office space for their operations under a noncancelable lease which expires in 2009. Future minimum lease payments required under this operating lease that has initial or remaining noncancelable lease terms in excess of one year as of December 31, 2007 are as follows:

Year Ending	
December 31,	
2008	\$ 7,730
2009	645
	<u>\$ 8,375</u>

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

DECEMBER 31, 2007

6. DESIGNATED NET ASSETS

Unrestricted net assets include \$17,855 at December 31, 2007, designed by the Organization's board for educational programs as well as \$40,000 at December 31, 2007, designated as reserves.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include the following at December 31:

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

8. ADJUSTMENT TO NET ASSETS

For the year ended December 31, 2007, management decided to exclude Chapter organization activities from the financial statements. Beginning net assets have been adjusted to reflect the following:

Net Assets, January 1, 2007	\$ 244,086
Beginning cash - Chapters	<u>(16,057)</u>
Net Assets, January 1, 2007, restated	<u><u>\$ 228,029</u></u>

SUPPLEMENTAL INFORMATION

TENNESSEE ASSOCIATION OF CRAFT ARTISTS

SCHEDULE OF GRANT ACTIVITY

FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Grant or Contract Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Total Award</u>	<u>Grant Receivable Balance 12/31/2006</u>	<u>Cash Receipts</u>	<u>Expenditures (or amounts earned)</u>	<u>Grant Receivable (Unearned Revenue) Balance 12/31/2007</u>
Z-08-21826-00	General Operating	Tennessee Arts Commission	28,050	-	11,220	14,001	2,781
Z-07-034941-00	General Operating Support	Tennessee Arts Commission	30,000	18,000	18,000	-	-
Basic II #08	Basic Operating Support	Metropolitan Nashville Arts Commission	13,091	2,618	2,618	-	-
Basic II #08	Basic Operating Support	Metropolitan Nashville Arts Commission	29,694	-	23,755	18,561	(5,194)
			\$ 100,835	\$ 20,618	\$ 55,593	\$ 32,562	\$ (2,413)

