

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

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

JUNE 30, 2017

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

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BELLENFANT

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Professional Accounting & Consulting Services

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, 2017, 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, 2017, 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 16 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

September 8, 2017

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS
D/B/A TENNESSEE CRAFT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

ASSETS

Current Assets

Cash	\$ 219,609
Grants Receivable	12,355
Investments	<u>9,103</u>
Total Current Assets	<u>241,067</u>

Fixed Assets

Computer Software	15,858
Equipment	6,783
Furniture and Fixtures	8,212
Leasehold Improvements	<u>975</u>
	31,828
Less: Accumulated Depreciation	<u>(21,068)</u>
Fixed Assets, net	<u>10,760</u>
Total Assets	<u><u>\$ 251,827</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable and Accrued Expenses	<u>\$ 22,190</u>
Total Current Liabilities	<u>22,190</u>

Net Assets

Unrestricted	
Undesignated	176,869
Designated - Chapter Funds	28,594
Designated - Reserves	<u>13,000</u>
	218,463
Temporarily Restricted	<u>11,174</u>
Total Net Assets	<u>229,637</u>
Total Liabilities and Net Assets	<u><u>\$ 251,827</u></u>

The 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, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Jury and Booth Fees	\$ 300,839	\$ -	\$ 300,839
Donations	46,142	15,000	61,142
Grant Income	83,405	29,100	112,505
Membership Dues	34,670	-	34,670
Other	4,732	-	4,732
Net Assets Released from Restrictions	<u>45,382</u>	<u>(45,382)</u>	<u>-</u>
 Total Revenue	 <u>515,170</u>	 <u>(1,282)</u>	 <u>513,888</u>
Expenses			
Program Services	<u>332,817</u>	<u>-</u>	<u>332,817</u>
Supporting Services			
Management and General	156,539	-	156,539
Fundraising	<u>11,562</u>	<u>-</u>	<u>11,562</u>
Total Supporting Services	<u>168,101</u>	<u>-</u>	<u>168,101</u>
 Total Expenses	 <u>500,918</u>	 <u>-</u>	 <u>500,918</u>
 Change in Net Assets	 14,252	 (1,282)	 12,970
Net Assets, July 1, 2016	<u>204,211</u>	<u>12,456</u>	<u>216,667</u>
Net Assets, June 30, 2017	<u><u>\$ 218,463</u></u>	<u><u>\$ 11,174</u></u>	<u><u>\$ 229,637</u></u>

The 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, 2017

	Program Services	Supporting Services Management and General	Fundraising	Total
Salaries	\$ 90,921	\$ 74,694	\$ 8,959	\$ 174,574
Payroll Taxes	6,966	5,499	686	13,151
Advertising	17,854	130	-	17,984
Postage and Shipping	6,380	254	585	7,219
Artists Fees	89,698	1,350	-	91,048
Specialized and Contract Services	5,250	-	-	5,250
Printing	9,624	818	554	10,996
Miscellaneous	3,990	4,653	-	8,643
Rent	16,591	11,010	-	27,601
Utilities and Cleaning	14,058	-	-	14,058
Security	10,368	-	-	10,368
Supplies	10,585	1,535	-	12,120
Travel and Seminars	13,057	1,478	-	14,535
Professional Fees	10,041	25,061	-	35,102
Telephone and Internet	-	2,569	-	2,569
Graphic Design	7,713	-	720	8,433
Insurance	474	11,921	29	12,424
Depreciation	-	9,469	-	9,469
Training	-	86	-	86
Dues and Subscriptions	1,000	2,335	-	3,335
Bank Fees and Licenses	13,060	1,117	29	14,206
Contributions	500	100	-	600
Equipment Lease	-	2,460	-	2,460
Rebates	4,687	-	-	4,687
Total Expenses	<u>\$ 332,817</u>	<u>\$ 156,539</u>	<u>\$ 11,562</u>	<u>\$ 500,918</u>

The 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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 12,970
Depreciation	9,469
Adjustments to reconcile change in net assets to net cash provided by operations	
(Increase) Decrease in:	
Grants Receivable	(2,395)
Prepaid Expenses	239
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	<u>12,727</u>
Cash Provided (Used) by Operating Activities	<u>33,010</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Computer Software	(14,993)
Unrealized Gain (Loss) on Investments	<u>(1,371)</u>
Cash Provided (Used) by Investing Activities	<u>(16,364)</u>
NET INCREASE (DECREASE) IN CASH	16,646
Cash, July 1, 2016	<u>202,963</u>
Cash, June 30, 2017	<u><u>\$ 219,609</u></u>

The 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, 2017

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.

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 \$11,174 as of June 30, 2017.

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, 2017.

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.

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

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (continued):

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, 2017

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, 2014 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, 2017

2. CASH

Cash consists of the following at June 30, 2017:

Operating	\$ 107,253
Money Market	83,762
Chapter Accounts	<u>28,594</u>
	<u><u>\$ 219,609</u></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><u>\$ 9,103</u></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

Fair Value Measurements at June 30, 2017				
		Quoted Prices		
		In Active	Significant	
		Markets for	Other	Significant
		Identical	Observable	Unobservable
		Assets	Inputs	Inputs
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Equities (mutual fund)	<u>\$ 9,103</u>	<u>\$ 9,103</u>	<u>\$ -</u>	<u>\$ -</u>
	<u><u>\$ 9,103</u></u>	<u><u>\$ 9,103</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

JUNE 30, 2017

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 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:

Year Ending June 30,		<u>Copier</u>
2018	\$	1,776
2019		1,776
2020		1,776
2021		1,776
2022		<u>1,776</u>
Total	\$	<u><u>8,880</u></u>

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

JUNE 30, 2017

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include the following at June 30, 2017:

Retail Exhibition Space	\$	956
Heritage Craft Project		6,500
Frist Tech Grant		<u>3,718</u>
	\$	<u><u>11,174</u></u>

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 8, 2017 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, 2017

<u>Program Name</u>	<u>Grantor Agency</u>	<u>Total Award</u>	<u>Grant Receivable Balance 7/1/2016</u>	<u>Cash Receipts</u>	<u>Expenditures (or amounts earned)</u>	<u>Grant Receivable Balance 6/30/2017</u>
TN Tourist Development	State of Tennessee	12,500	-	12,500	12,500	-
Metro Arts Award	Metropolitan Nashville Arts Commission	61,775	-	49,420	61,775	12,355
TN Arts Commission - Partnership Support	Tennessee Arts Commission	21,630	-	21,630	21,630	-
TN Arts Commission - Master Apprentice	Tennessee Arts Commission	16,600	9,960	26,560	16,600	-
			<u>\$ 9,960</u>	<u>\$ 110,110</u>	<u>\$ 112,505</u>	<u>\$ 12,355</u>



BELLENFANT

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Professional Accounting & Consulting Services

Communication of No Material Weaknesses

Board of Directors
Tennessee Association of Craft Artists
dba Tennessee Craft
Nashville, Tennessee

In planning and performing our audit of the financial statements of Tennessee Craft as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Tennessee Craft's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Bellenfant, PLLC

September 8, 2017