THE ARTS CENTER OF CANNON COUNTY, INC.

Woodbury, Tennessee

Reviewed Financial Statements

For the Fiscal Years Ended

December 31, 2013 and 2012

HALL, DAVIDSON & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
PROFESSIONAL CORPORATION

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
The Arts Center of Cannon County, Inc.
1424 John Bragg Highway
Woodbury, Tennessee 37190

We have reviewed the accompanying statements of financial position of The Arts Center of Cannon County, Inc., (a non-profit organization chartered by the State of Tennessee) as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets and cash flows for the fiscal years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Arts Center's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Auditing Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Hall, Davidson
Certified Public Accountants

Murfreesboro, Tennessee
February 27, 2014

THE ARTS CENTER OF CANNON COUNTY, INC.

Woodbury, Tennessee

Statements of Financial Position

December 31, 2013 and 2012

Assets	2013	2012	Increase (Decrease)
Current Assets - Unrestricted			
Cash on Hand	$ 450.00	$ 450.00	$
Checking Account - RegionsBank	37,651.57	15,505.49	22,146.08
Legacy Account - First National Bank	1,717.86	514.06	1,203.80
Checking Account - First National Bank - Production 1	102.97	173.87	-70.90
Checking Account - First National Bank - Production 2			
Payroll Account - First National Bank	717.37	2,836.39	-2,119.02
Prepaid Expenses	7,380.00	3,565.00	3,815.00
Accounts Receivable	8,792.00	15,682.13	-6,890.13
Undeposited Funds		125.00	-125.00
Inventory - CD's	13,420.93	14,678.93	-1,258.00
Total	$ 70,232.70	$ 53,530.87	$ 16,701.83
Property, Plant and Equipment - Unrestricted			
Land	$ 143,663.57	$ 50,372.57	$ 93,291.00
Building	1,187,732.58	1,187,732.58	
Less Allowance for Depreciation	-332,598.81	-302,197.81	-30,401.00
Paving and Land Improvements	209,014.20	209,014.20	
Less Allowance for Depreciation	-64,172.25	-59,001.25	-5,171.00
Furniture, Fixtures and Equipment	212,819.00	240,442.67	-27,623.67
Less Allowance for Depreciation	-180,728.00	-199,015.40	18,287.40
Total	$ 1,175,730.29	$ 1,127,347.56	$ 48,382.73
Other Assets - Restricted			
Museum Colllection	$ 208,960.00	$ 208,960.00	$
Total Assets	$ 1,454,922.99	$ 1,389,838.43	$ 65,084.56

Liabilities and Net Assets	2013	2012	Increase (Decrease)
Current Liabilities			
Accounts Payable	$ 4,061.18	$ 18,589.42	$ -14,528.24
Visa Bank Card Payable		28,368.28	-28,368.28
Deferred Income - Memberships	19,350.00	17,688.88	1,661.12
Payroll Taxes Payable			
Sales Tax Payable	435.00	393.00	42.00
Accrued Interest Payable	427.93	446.66	-18.73
Note Payable - Fran Paris	8,000.00	8,000.00	0.00
Current Portion of Long-Term Debt	19,742.12	7,617.80	12,124.32
Total	$ 52,016.23	$ 81,104.04	$ -29,087.81
Long-Term Liabilities			
United States Department of Agriculture -			
Rural Development/Farm Service Agency Mortgage	$ 472,273.66	$ 478,411.43	$ -6,137.77
Rural Development/Farm Service Agency 2nd Mortgage	11,589.48	13,070.04	-1,480.56
First National Bank - Credit Card Loan	30,501.03		30,501.03
Less Portion Due Within One Year	-19,742.12	-7,617.80	-12,124.32
Total	$ 494,622.05	$ 483,863.67	$ 10,758.38
Net Assets			
Unrestricted Net Assets - Operating	$ 704,224.71	$ 620,810.72	$ 83,413.99
Restricted Net Assets	204,060.00	204,060.00	
Total	$ 908,284.71	$ 824,870.72	$ 83,413.99
Total Liabilities and Net Assets	$ 1,454,922.99	$ 1,389,838.43	$ 65,084.56

THE ARTS CENTER OF CANNON COUNTY, INC.
Woodbury, Tennessee
Statements of Activities and Changes in Net Assets
For the Fiscal Years Ended December 31, 2013 and 2012

Operating Revenues and Expenses by Function	2013	2012	Increase (Decrease)
Events			
Revenue	$ 179,702.67	$ 178,082.30	$ 1,620.37
Expenses	-51,889.72	-63,634.25	11,744.53
Net Income	$ 127,812.95	$ 114,448.05	$ 13,364.90
Memberships/Season Tickets			
Revenue (See Notes)	$ 36,533.38	$ 33,831.77	$ 2,701.61
Expenses			
Net Income	$ 36,533.38	$ 33,831.77	$ 2,701.61
Contributions			
Revenue - Cash Contributions	$ 34,535.08	$ 30,555.00	$ 3,980.08
Expenses			
Net Income	$ 34,535.08	$ 30,555.00	$ 3,980.08
Contract Income - Murfreesboro City Schools			
Revenue	$	$	$
Expenses			
Net Income	$	$	$
Gift Shop & Gallery Sales			
Revenue	$ 18,839.84	$ 15,875.90	$ 2,963.94
Commissions & Cost of Merchandise Sold	-9,482.20	-8,335.39	-1,146.81
Expenses	-3,804.04	-2,145.71	-1,658.33
Net Income	$ 5,553.60	$ 5,394.80	$ 158.80
Fund Raisers			
Revenue	$ 24,600.00	$ 20,430.00	$ 4,170.00
Expenses	-5,666.83	-5,122.13	-544.70
Net Income	$ 18,933.17	$ 15,307.87	$ 3,625.30
Classes			
Revenue	$ 15,011.00	$ 19,051.00	$ -4,040.00
Expenses	-8,293.72	-6,995.70	-1,298.02
Net Income	$ 6,717.28	$ 12,055.30	$ -5,338.02
Sponsors			
Revenue	$ 1,860.00	$	$ 1,860.00
Expenses			
Net Income	$ 1,860.00	$	$ 1,860.00
Grants			
Revenue	$ 47,400.00	$ 48,550.00	$ -1,150.00
Publishing - Grant Projects	-14,573.00	-27,960.15	13,387.15
Net Income	$ 32,827.00	$ 20,589.85	$ 12,237.15
Rentals, CD's, Publishing, & Miscellaneous			
Revenue	$ 15,127.60	$ 13,530.83	$ 1,596.77
Expenses	-5,256.51		-5,256.51
Net Income	$ 9,871.09	$ 13,530.83	$ -3,659.74
Capital Campaign			
Revenue	$ 140.00	$	$ 140.00
Expenses		-15.00	15.00
Net Income	$ 140.00	$ -15.00	$ 155.00

(Continued)

THE ARTS CENTER OF CANNON COUNTY, INC.

Woodbury, Tennessee

Statements of Activities and Changes in Net Assets - Continued

For the Fiscal Years Ended December 31, 2013 and 2012

	2013	2012	Increase (Decrease)
Restaurant			
Rentals/Revenue	$ 14,500.00	$ 11,107.31	$ 3,392.69
Expenses	-499.68	-1,214.00	714.32
Net Income	$ 14,000.32	$ 9,893.31	$ 4,107.01
Museum			
Revenue	$ 63.00	$ 265.00	$ -202.00
Expenses	-1,297.49	-732.71	-564.78
Net Income	$ -1,234.49	$ -467.71	$ -766.78
Other Activities			
Interest Received	$ 0.47	$ 1.08	$ -0.61
Expenses			
Net Income	$ 0.47	$ 1.08	$ -0.61

(Contnued)

THE ARTS CENTER OF CANNON COUNTY, INC.

Woodbury, Tennessee

Statements of Activities and Changes in Net Assets - Continued

For the Fiscal Years Ended December 31, 2013 and 2012

	2013	2012	Increase (Decrease)
All Activities			
Total Revenue	$ 388,313.04	$ 371,280.19	$ 17,032.85
Total Expenses	-100,763.19	-116,155.04	15,391.85
Total Net Income	$ 287,549.85	$ 255,125.15	$ 32,424.70
Administrative and General Expenses			
Salaries and Wages	$ 107,986.82	$ 147,760.87	$ -39,774.05
Payroll Taxes	8,261.00	11,303.71	-3,042.71
Contract Services	31,741.00		31,741.00
Utilities and Telephone	33,959.05	37,190.66	-3,231.61
Maintenance and Repairs	5,250.69	4,975.66	275.03
Advertising	1,125.18	849.83	275.35
Insurance - General	10,779.16	13,055.89	-2,276.73
Insurance - Employee Health	1,771.20	3,476.32	-1,705.12
Printing	3,092.70	2,870.43	222.27
Office Supplies and Expense	5,655.45	5,283.80	371.65
Postage and Shipping	1,518.96	2,849.38	-1,330.42
Travel	127.94	632.09	-504.15
Legal, Accounting, and Payroll services	5,559.75	6,182.25	-622.50
Bank, Credit Card, & Finance Charges	6,047.09	8,001.10	-1,954.01
Graphic Arts			
Miscellaneous Expenses	4,318.76	2,395.85	1,922.91
Rentals	1,362.10	50.00	1,312.10
Security			
Scholarships		300.00	-300.00
Shop Supplies			
Loss on Disposal of Equipment	1,660.20		1,660.20
Depreciation	44,534.00	46,335.00	-1,801.00
Total	$ 274,751.05	$ 293,512.84	$ -18,761.79
Net Income (Loss) from Operations	$ 12,798.80	$ -38,387.69	$ 51,186.49
Other Income			
Contribution of Land	93,291.00		93,291.00
Total	$ 93,291.00	$ 0.00	$ 93,291.00
Other Expenses			
Interest Expense	$ -22,675.81	$ -22,368.23	$ -307.58
Change in Net Assets	$ 83,413.99	$ -60,755.92	$ 144,169.91
Net Assets at Beginning of Year	824,870.72	885,626.64	-60,755.92
Net Assets at End of Year	$ 908,284.71	$ 824,870.72	$ 83,413.99

THE ARTS CENTER OF CANNON COUNTY, INC.

Woodbury, Tennessee

Statements of Cash Flows

For the Fiscal Years Ended December 31, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Revenues	$ 388,113.04	$ 371,280.19
Expenses	-375,514.24	-409,667.88
Change in Net Assets from Operating Activities	$ 12,598.80	$ -38,387.69
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation - A Non-cash Expense	$ 44,534.00	$ 46,335.00
Accounts Receivable	6,890.13	-102.13
Grants Receivable		
Prepaid Expenses	-3,815.00	1,650.00
Inventory - CD's	1,258.00	97.54
Accounts Payable	-14,528.24	11,206.11
Visa Bank Card Payable	-28,368.28	12,854.91
Deferred Income - Other		-230.00
Deferred Income - Memberships	1,661.12	-5,030.08
Sales Tax Payable	42.00	-65.00
Total Adjustments	$ 7,673.73	$ 66,716.35
Net Cash Flows from Operating Activities	$ 20,272.53	$ 28,328.66
Cash Flows from Investing Activities		
Additions to Furniture, Fixtures and Equipment	$ -5,398.93	$ -1,600.00
Received from Disposal of Old Equipment	4,510.20	
Adjustments on Disposal of Old Equipment	1,463.00	
Net Cash Flows from Investing Activities	$ 574.27	$ -1,600.00
Cash Flows from Financing Activities		
Borrowed from First National Bank to Pay Off Credit Cards	$ 34,000.00	$
Payments on Principal to First National Bank	-3,498.97	
Payments on Principal of Mortgage Notes	-7,618.33	-7,277.43
Interest Paid	-22,694.54	-22,378.57
Paid on Fran Paris Note		-2,000.00
Net Cash Flows from Financing Activities	$ 188.16	$ -31,656.00
Net Increase (Decrease) in Cash	$ 21,034.96	$ -4,927.34
Cash at Beginning of Year	$ 19,604.81	$ 24,532.15
Cash at End of Year	$ 40,639.77	$ 19,604.81
Non-Cash Contribution - 2.2 Acres Land	$ 93,291.00	$
Cash Payments for Interest	$ 22,037.67	$ 22,704.24
Cash Payments for Taxes	$ 0.00	$ 0.00

THE ARTS CENTER OF CANNON COUNTY, INC.

Woodbury, Tennessee

Notes to the Financial Statements

December 31, 2013 and 2012

A. Organization and Nature of Activities

Organization

The Arts Center of Cannon County, Inc., is a non-profit corporation chartered by the State of Tennessee, which began business in 1991. It is exempt from federal income taxes under Section 501 (C)(3) of the Internal Revenue Code, and does not conduct any unrelated business activities, so is not subject to Federal income taxes. It has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509 (a) of the Internal Revenue Code.

Nature of Activities

The Arts Center of Cannon County, Inc., was organized for the following functions, objectives, and purposes:

The management and operation of a multi-functional inter-arts facility.

The preservation of the culture, historical, and craft heritage of Cannon County.

The promotion and production of stage craft and theater arts, dance, music, children's cultural activities, and educational activities that enhance the appreciation of all the arts.

A small paid staff produces a number of plays and other events each year, utilizing mainly volunteer services from the community for actors, musicians and other personnel. While it is located in and serves mainly a small rural county in Middle Tennessee, its reputation has spread and many in the audiences come from surrounding counties. Revenue is mainly from admission fees charged for plays and other events, membership dues, sponsors, and donations from the public. Grants are sought when available.

B. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles, using a December 31 fiscal year. Revenues are recognized when earned or measurable, and expenses are recognized when incurred or obligated. Consideration has been given to compliance with pronouncements numbers 16 and 17 of the Financial Accounting Standards Board and they have been implemented insofar as they might apply to the Center's activities. Works of art, crafts, and other merchandise are accepted from their creators and held for sale in the Center's gift shop on a consignment basis, with the creator being paid only when they are sold.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Inventory

The inventory consists of c.d.'s produced by the Arts Center, at their estimated cost of production.

Property, Plant and Equipment

The Arts Center of Cannon County, Inc., follows the practice of capitalizing all expenditures for property and equipment with at least a 5-year life or cost in excess of $500. Depreciation of such items is computed on a straight line basis over the estimated useful lives of the assets as follows:

Building	40 Years
Pavement, Sidewalks, Landscaping	15 Years
Furniture, Fixtures, and Equipment	5 to 25 Years

Memberships - Deferred Income

Patrons of the Arts Center pay for memberships which entitle them to season tickets for productions. A change was made in the accounting for these in 2009, when it was decided that the payments received in 2009 that would be for use in the 2010 season should be treated as deferred and not recognized as income until 2010 when the tickets are actually used to attend productions.. The amount of income deferred from 2013 to 2014 is $19,350.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Cash or Cash Equivalents

For the purpose of the statement of cash flows, any temporary investments of cash in securities which have at inception a maturity of more than three months are classified as investments.

THE ARTS CENTER OF CANNON COUNTY, INC.

Woodbury, Tennessee

Notes to the Financial Statements

December 31, 2013 and 2012

C Grants

The Arts Center of Cannon County, Inc., received the following grants for support and operating activities during the two years covered by this report:

	2013	2012
Tennessee Arts Commission - General Operating/Partnership Support	$ 21,400.00	$ 17,500.00
Tennessee Arts Commission - General Operating/Partnership Support		7,050.00
Community Foundation		2,000.00
General Mills	5,000.00	
General Mills		4,000.00
General Mills		4,000.00
National Endowment for the Arts - Publishing Project	21,000.00	8,000.00
National Endowment for the Arts - Kissy Black		6,000.00
Total	$ 47,400.00	$ 48,550.00

D. Major Capital Expenditures and Related Financing

The Arts Center constructed an addition to the building in 2007, which was financed from grants and by a construction loan of $425,000 from the First National Bank. In 2008, permanent financing was obtained from the U.S. Department of Agriculture on a $500,000.00 mortgage payable monthly with final payment due in 2046.

E. Restricted Contributions

A donation was recognized in 2007 consisting of a collection of original art by amateur artists and hand-made baskets to be exhibited in the Arts Center's new museum. This collection was appraised at $204,060.00. The donors gave it with the restriction that if any items were to be sold, the proceeds would be used to benefit Planned Parenthood of Middle and Eastern Tennessee.

F. Effect of Current Economic Recession

The down-turn in the local and national economy has had a drastic effect on the Arts Center's operations in the last six years, with total revenues dropping from $505,828 in 2008, to $374,836 in 2009, going back up to $440,295 in 2010, and dropping again to $390,011 in 2011, $371,280.19 in 2012. and $388,313 in 2013, Grants are more difficult to obtain, and the reduced discretionary spending of patrons has affected attendance at events. Management has been able to make comparable cuts in expenses in previous years.. The Arts Center showed a net income from operations of $12709 in 2013. Expenses included depreciation of $44,834, more than equaling the debt service payments of of $35,775. A gift from Bill Smith of 2.2 acres of commercial property adjoining the Arts Center's land was received in 2013, and was placed on the books at its appraised value. This is shown as non-operating income, and brings the net change in assets for 2013 up to $$86,071. A cash contribution was recorded in operating income in the amount of $$5,310. This was the result of the sale of property in Auburntown. The Arts Center had been willed a one-third interest in the land several years ago, but the bequest had never been reflected on the books in prior years.

G. Long-Term Debt

The Arts Center of Cannon County, Inc., owed the United States Department of Agriculture Rural Development on two mortgage notea secured by its land and building. Since there is little chance it would be re-financed, it is considered to be shown at fair value. Loan number 2 was obtained in January, 2009, and used to pay off the construction loan for the recent building addition. The schedule of payments is as follows:

	First National Bank Loan		Rural Development Assn. Loan No. 1 - Semi-Annual		Rural Development Assn. Loan No.2 - Monthly	
Year Ending	Principal	6.0% Interest	Principal	5.0% Interest	Principal	4.5% Interest
12-31-2014	10,925.65	151.87	1,551.68	560.32	7,264.79	20,275.21
12-31-2015	11,599.52	868.00	1,630.23	481.77	7,598.62	19,941.48
12-31-2016	8,125.86	183.82	1,712.77	399.23	7,947.61	19,592.39
12-31-2017			1,799.48	312.52	8,312.71	19,227.29
12-31-2018			1,890.58	221.42	8,694.60	18,845.40
Thereafter			3,004.74	231.44	336,315.98	355,981.37
Totals	$ 30,651.03	$ 1,203.69	$ 11,589.48	$ 2,206.70	$ 376,134.31	$ 453,863.14
Final Pmt Due	8-21-16		* 8-13-21		1-28-44	

H. Subsequent Events

The Arts Center received a cash bequest from the estate of Wilma Adams, a long-time board member and supporter, in February, 2014, in the amount of $169,858.45. A portion of these funds was used to pay off the balance of Rural Development Association loan number one and the First National Banl loan shown above in February, 2014. This major donation will put the Arts Center in much stronger cash position and overall financial condition going forward in 2014.