

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**December 31, 2006 and 2005**

# TENNESSEE ASSOCIATION OF CRAFT ARTISTS

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Tennessee Association of Craft Artists  
Nashville, Tennessee

We have audited the accompanying statements of financial position of Tennessee Association of Craft Artists (a non-profit organization) as of December 31, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 audits provide a reasonable basis for our 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 December 31, 2006 and 2005, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Grant Activity and Schedule of Chapter Activity on pages 11 and 12 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Frasier, Dean & Howard, PLLC*

July 25, 2007

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Current assets:		
Cash, including chapter accounts of \$16,057 and \$14,830 for 2006 and 2005, respectively	\$ 103,543	\$ 135,196
Grants and other receivables	21,725	25,023
Inventory - shirts and bags	-	1,427
Prepaid expenses	10,489	1,410
Deposits	782	3,592
Investments	85,000	73,502
Total current assets	<u>221,539</u>	<u>240,150</u>
Property and equipment:		
Computer software	4,600	3,735
Website design in progress	17,000	8,500
Equipment	10,973	7,757
Furniture and fixtures	6,048	6,048
Less accumulated depreciation	<u>(16,219)</u>	<u>(15,023)</u>
Total property and equipment	<u>22,402</u>	<u>11,017</u>
Total assets	<u><u>\$ 243,941</u></u>	<u><u>\$ 251,167</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ (325)	\$ 35
Deferred revenue	-	460
Prepaid membership dues	180	7,150
Total current liabilities	<u>(145)</u>	<u>7,645</u>
Net assets:		
Unrestricted		
Undesignated	162,775	141,181
Designated - educational funds	17,855	15,525
Designated - reserves	40,000	70,000
Temporarily restricted	23,456	16,816
Total net assets	<u>244,086</u>	<u>243,522</u>
Total liabilities and net assets	<u><u>\$ 243,941</u></u>	<u><u>\$ 251,167</u></u>

See accompanying notes.

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS**  
**STATEMENTS OF ACTIVITIES**  
**For the years ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Changes in unrestricted net assets		
Support and revenue:		
Jury and booth fees	\$ 146,999	\$ 148,694
Donations	60,213	86,827
Grant income	48,091	51,320
Miscellaneous craft fair income	23,697	24,970
Membership dues - TACA	16,258	17,570
Unrealized gain (loss) on investments	10,119	2,097
Special events	25,163	2,621
Membership dues - chapters	4,582	4,950
Shirt and bag revenue	1,821	4,284
Interest income	6,730	5,144
Miscellaneous income	15	3,398
Directory advertising and sales	7,065	1,827
Total unrestricted support and revenue	<u>350,753</u>	<u>353,702</u>
Expenses:		
Salaries	107,500	100,319
Facility expense	39,921	35,452
Advertising	25,632	27,316
Postage and shipping	21,876	21,503
Printing	20,129	24,716
Artists fees	7,750	15,655
Security	16,200	18,960
Specialized and contract services	15,845	23,005
Other expense	38,664	11,596
Occupancy	11,547	11,029
Awards	8,603	7,876
Supplies	7,279	3,405
Travel, seminars and conferences	5,992	6,330
Payroll taxes	8,509	7,968
Audit fees	5,000	4,193
Craft fair entertainment	470	2,400
Shirt expenses	2,066	4,806
Donations	3,617	4,525
Telephone	2,527	2,983
Insurance	2,458	2,353
Screening and jury fees	1,600	1,600
Depreciation and amortization	1,196	1,287
Scholarship grants	1,000	1,580
Equipment lease	1,448	1,155
Fundraising	-	605
Total unrestricted expenses	<u>356,829</u>	<u>342,617</u>
Change in unrestricted net assets	<u>(6,076)</u>	<u>11,085</u>
Change in temporarily restricted net assets		
Contributions	<u>6,640</u>	<u>2,893</u>
Change in temporarily restricted net assets	<u>6,640</u>	<u>2,893</u>
Total change in net assets	564	13,978
Net assets - beginning of year	<u>243,522</u>	<u>229,544</u>
Net assets - end of year	<u><u>\$ 244,086</u></u>	<u><u>\$ 243,522</u></u>

See accompanying notes.

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Change in net assets	\$ 564	\$ 13,978
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,196	1,287
Unrealized (gain) loss on investments	(10,119)	(2,097)
(Increase) decrease in operating assets:		
Grants and other receivables	3,298	(22,818)
Inventory	1,427	1,145
Prepaid expenses	(9,079)	1,431
Deposits	2,810	213
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(360)	(3,091)
Prepaid membership dues	(6,970)	3,690
Deferred revenue	(460)	(540)
Net cash (used in) provided by operating activities	<u>(17,693)</u>	<u>(6,802)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(12,581)	(8,500)
Purchases of investments	(1,379)	(1,252)
Net cash used by investing activities	<u>(13,960)</u>	<u>(9,752)</u>
(Decrease) increase in cash	(31,653)	(16,554)
Cash - beginning of year	<u>135,196</u>	<u>151,750</u>
Cash - end of year	<u><u>\$ 103,543</u></u>	<u><u>\$ 135,196</u></u>

See accompanying notes.

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2006 and 2005**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 the 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 the significant accounting policies of TACA.

**Accounting Method**

The financial statements include the accounts of TACA and the activities of TACA's chapter organizations. All significant transactions between TACA and its chapters have been eliminated.

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 assets at December 31, 2006 and 2005. 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 received.

**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.

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2006 and 2005**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

**Inventory**

The inventory of merchandise held for sale consists of shirts that are printed and made available for sale primarily at craft fairs. The inventory is recorded at the lower of cost or market using the first-in, first-out (FIFO) method.

**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.

**Chapter Activity**

The Organization’s accounts include the activities of six satellite chapters. Each chapter receives a portion of TACA’s membership dues based on members who have joined the Organization from each chapter. Such membership rebates are used to support satellite chapter operations.

**Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.



**TENNESSEE ASSOCIATION OF CRAFT ARTISTS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2006 and 2005**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Contributed Services**

No contributed services meeting the criteria for recognition were received for the years ended December 31, 2006 and 2005. However, the Organization receives volunteer services in its administrative and fund-raising efforts, particularly in the planning, promotion and staging of its crafts fairs. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer effort under SFAS No. 116 has not been satisfied.

**Advertising**

Advertising costs are expensed when incurred.

**Reclassifications**

Certain amounts from the 2005 financial statements have been reclassified to conform with the 2006 presentation.

**NOTE 2 – CASH**

Cash consists of the following at December 31:

	<u>2006</u>	<u>2005</u>
Operating - Bank of America	\$ (462)	\$ 4,763
- Vanguard	47,948	45,603
Reserves - Vanguard	40,000	70,000
Chapter accounts	<u>16,057</u>	<u>14,830</u>
	<u>\$ 103,543</u>	<u>\$ 135,196</u>

**NOTE 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.

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2006 and 2005**

**NOTE 3 – GRANTS (continued)**

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.

Amounts receivable at December 31 under government grants are as follows:

	<u>2006</u>	<u>2005</u>
Tennessee Arts Commission for General Operating Support	\$ 18,000	\$ 2,913
Metro Nashville Arts Commission Basic Operating Support	<u>2,618</u>	<u>21,400</u>
	<u>\$ 20,618</u>	<u>\$ 24,313</u>

**NOTE 4 – INVESTMENTS**

Investments consist of the following at December 31:

	<u>2006</u>	<u>2005</u>
Vanguard Index Fund	\$ 85,000	\$ 73,502
	<u>\$ 85,000</u>	<u>\$ 73,502</u>

During 2006 and 2005, realized and unrealized gains on investments totaled \$10,119 and \$2,097, respectively.

**NOTE 5 – OPERATING LEASE COMMITMENT**

During 2006, the Organization renewed its lease agreement for office space, which stipulates the Organization make monthly payments ranging from \$620 to \$645 through January 2009. Future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2006 are as follows:

<u>Year ending</u> <u>December 31,</u>	
2007	\$ 7,605
2008	7,730
2009	645
2010	-
2011	<u>-</u>
	<u>\$ 15,980</u>

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2006 and 2005**

**NOTE 6 – DESIGNATED NET ASSETS**

Unrestricted net assets include \$17,855 and \$15,525 at December 31, 2006 and 2005, respectively, designated by the Organization's board for educational programs as well as \$40,000 and \$70,000 at December 31, 2006 and 2005, respectively, designated as reserves.

**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets include the following at December 31:

	<u>2006</u>	<u>2005</u>
Retail exhibition space	\$ 16,956	\$ 16,816
Heritage Craft Project	<u>6,500</u>	<u>-</u>
	<u>\$ 23,456</u>	<u>\$ 16,816</u>

## **SUPPLEMENTARY INFORMATION**

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS**  
**SCHEDULE OF GRANT ACTIVITY**  
**Year ended December 31, 2006**

<u>Grant or Contract Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Total Award</u>	<u>A/R Balance 12/31/05</u>	<u>Cash Receipts</u>	<u>Expenditures (or amounts earned)</u>	<u>A/R Balance 12/31/06</u>
Z-06-028303-00	General Operating Support	Tennessee Arts Commission	\$ 31,500	\$ 18,900	\$ 18,900	\$ -	\$ -
Z-05-028385-00	Directory	Tennessee Arts Commission	2,500	2,500	2,500	-	-
Z-06-028303-00	General Operating Support	Tennessee Arts Commission	30,000	-	12,000	30,000	18,000
Basic II #08	Basic Operating Support	Metropolitan Nashville Arts Commission	13,091	-	10,473	13,091	2,618
Basic II #08	Basic Operating Support	Metropolitan Nashville Arts Commission	14,567	2,913	2,913	-	-
N/a	Technology Grant	The Frist Foundation	5,000	-	5,000	5,000	-
			<u>\$ 96,658</u>	<u>\$ 24,313</u>	<u>\$ 51,786</u>	<u>\$ 48,091</u>	<u>\$ 20,618</u>

**TENNESSEE ASSOCIATION OF CRAFT ARTISTS**  
**SCHEDULE OF CHAPTER ACTIVITY**  
**For the year ended December 31, 2006**  
**(with comparative totals for the year ended December 31, 2005)**

	Cumberland Valley	Memphis	Highland Rim	State of Franklin	TACA West	Craft Artists of Southern Tennessee	Total	
							2006	2005
Revenue:								
Member rebates/dues	\$ 1,802	\$ 555	\$ 663	\$ 449	\$ 269	\$ 844	\$ 4,582	\$ 4,950
Donations	-	214	1,192	-	365	200	1,971	1,350
Interest income	-	-	-	-	-	6	6	6
Special exhibition fees	-	-	-	-	-	-	-	550
Workshop	-	15	-	-	-	-	15	60
T-shirts	-	-	-	-	-	-	-	-
Chapter booth fees	-	-	-	-	-	-	-	-
Jury/booth fees	-	-	-	-	-	-	-	1,805
Grants	-	-	-	-	(5)	1,910	1,905	-
Other special event income	57	1,003	4,756	19,164	169	13	25,162	2,593
Miscellaneous	-	-	-	-	-	-	-	58
Total revenue	1,859	1,787	6,611	19,613	798	2,973	33,641	11,372
Expenses:								
Supplies	39	274	246	-	23	10	592	487
Screening and jury fees	-	-	-	-	-	300	300	200
Printing	105	87	140	-	525	559	1,416	1,380
Postage and shipping	355	158	202	39	23	290	1,067	1,442
Seminars	-	-	-	-	-	-	-	-
Books/Journals	-	-	-	-	-	-	-	-
Facility expense	-	-	119	-	-	150	269	375
Awards	250	-	-	-	-	300	550	1,675
Bank charges	-	-	5	-	-	-	5	394
Miscellaneous expense	-	-	250	-	111	-	361	306
Contract labor	-	-	-	-	-	-	-	-
Travel	-	376	68	-	-	-	444	475
Educational programs	-	-	-	-	-	-	-	-
Credit card fees	-	-	-	10	-	-	10	-
Insurance	-	-	-	-	-	-	-	-
Dues	-	100	-	-	-	-	100	-
Advertising	-	-	100	178	-	450	728	90
Donations/other	1,300	150	1,217	350	100	500	3,617	4,525
Over/short	-	-	-	-	-	-	-	-
Artists fees	-	-	400	-	-	-	400	500
Hospitality	-	-	-	-	-	50	50	262
Gift certificates	-	120	-	-	-	-	120	195
Scholarships	-	-	-	-	-	-	-	330
Telephone	-	-	-	-	-	-	-	-
Special event expense	-	113	3,869	18,473	-	-	22,455	279
Meetings	74	108	-	-	-	-	182	592
Total expenses	2,123	1,486	6,616	19,050	782	2,609	32,666	13,507
Excess (deficit) of revenue over expenses	\$ (264)	\$ 301	\$ (5)	\$ 563	\$ 16	\$ 364	\$ 975	\$ (2,135)