

**THE ARTS CENTER OF CANNON COUNTY, INC.**

**Woodbury, Tennessee**

**Reviewed Financial Statements**

**For the Fiscal Years Ended**

**December 31, 2008 and 2007**

# HALL, DAVIDSON & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS  
PROFESSIONAL CORPORATION

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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., as of December 31, 2008 and 2007, and the related statements of activities and changes in net assets and cash flows for the fiscal years then ended, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of The Arts Center of Cannon County, Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 United States generally accepted accounting principles.



Certified Public Accountants

Murfreesboro, Tennessee  
February 26, 2009

# THE ARTS CENTER OF CANNON COUNTY, INC.

Woodbury, Tennessee

## Statements of Financial Position

December 31, 2008 and 2007

<u>Assets</u>	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
<u>Current Assets - Unrestricted</u>			
Cash on Hand	\$ 450.00	\$ 450.00	\$ 0.00
Checking Account - RegionsBank	10,551.85	21,286.51	-10,734.66
Legacy Account - First National Bank	464.28	8,640.01	-8,175.73
Checking Account - First National Bank - Production 1	74.04	591.11	-517.07
Checking Account - First National Bank - Production 2	612.75	429.44	183.31
Checking Account - Restaurant	66.77		66.77
Checking Account - Construction	849.46	4,772.46	-3,923.00
Payroll Account - First National Bank	1,658.86	978.30	680.56
Prepaid Expenses		2,980.00	-2,980.00
Accounts Receivable	5,107.15	6,250.00	-1,142.85
Grants Receivable		20,400.00	-20,400.00
Inventory - CD's	8,099.00	4,306.12	3,792.88
Total	<u>\$ 27,934.16</u>	<u>\$ 71,083.95</u>	<u>\$ -43,149.79</u>
<u>Property, Plant and Equipment - Unrestricted</u>			
Land	\$ 50,372.57	\$ 50,372.57	\$ 0.00
Building	1,187,732.58	1,187,732.58	0.00
Less Allowance for Depreciation	-180,593.81	-150,192.81	-30,401.00
Construction Work in Progress			0.00
Paving and Land Improvements	209,014.20	209,014.20	0.00
Less Allowance for Depreciation	-38,317.25	-32,244.25	-6,073.00
Furniture, Fixtures and Equipment	226,693.52	211,080.10	15,613.42
Less Allowance for Depreciation	-142,853.40	-127,184.40	-15,669.00
Total	<u>\$ 1,312,048.41</u>	<u>\$ 1,348,577.99</u>	<u>\$ -36,529.58</u>
<u>Other Assets - Restricted</u>			
Museum Collection	\$ 204,060.00	\$ 204,060.00	\$ 0.00
<u>Total Assets</u>	<u>\$ 1,544,042.57</u>	<u>\$ 1,623,721.94</u>	<u>\$ -79,679.37</u>
<u>Liabilities and Net Assets</u>			
<u>Current Liabilities</u>			
Accounts Payable	\$ 872.70	\$ 3,309.04	\$ -2,436.34
Gift Cards Unredeemed	296.00	465.00	-169.00
Deferred Income - Sponsors		15,000.00	-15,000.00
Sales Tax Payable	642.00	678.00	-36.00
Accrued Interest Payable	3,553.19	15,359.32	-11,806.13
Construction Loan - First National Bank	425,000.00	416,561.94	8,438.06
Current Portion of Long-Term Debt	1,215.41	1,156.84	58.57
Total	<u>\$ 431,579.30</u>	<u>\$ 452,530.14</u>	<u>\$ -20,950.84</u>
<u>Long-Term Liabilities</u>			
United States Department of Agriculture - Rural Development/Farm Service Agency:			
Mortgage	\$ 18,312.43	\$ 19,469.04	\$ -1,156.61
Less Portion Due Within One Year	-1,215.41	-1,156.84	-58.57
Loan - Fran Paris - Due March, 2011	10,000.00		10,000.00
Total	<u>\$ 27,097.02</u>	<u>\$ 18,312.20</u>	<u>\$ 8,784.82</u>
<u>Net Assets</u>			
Unrestricted Net Assets - Operating	\$ 881,306.25	\$ 948,819.60	\$ -67,513.35
Restricted Net Assets	204,060.00	204,060.00	0.00
Total	<u>\$ 1,085,366.25</u>	<u>\$ 1,152,879.60</u>	<u>\$ -67,513.35</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 1,544,042.57</u>	<u>\$ 1,623,721.94</u>	<u>\$ -79,679.37</u>

Subject to Accountant's Review Letter and Notes to the Financial Statements

HALL, DAVIDSON & ASSOCIATES, CERTIFIED PUBLIC ACCOUNTANTS

**THE ARTS CENTER OF CANNON COUNTY, INC.**  
Woodbury, Tennessee  
**Statements of Activities and Changes in Net Assets**  
For the Fiscal Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
<u>Operating Revenues and Expenses by Function</u>			
<u>Events</u>			
Revenue	\$ 165,063.73	\$ 185,559.63	\$ -20,495.90
Expenses	-67,705.14	-63,092.90	-4,612.24
Net Income	<u>\$ 97,358.59</u>	<u>\$ 122,466.73</u>	<u>\$ -25,108.14</u>
<u>Memberships/Season Tickets</u>			
Revenue	\$ 43,555.90	\$ 47,196.00	\$ -3,640.10
Expenses		-40.00	40.00
Net Income	<u>\$ 43,555.90</u>	<u>\$ 47,156.00</u>	<u>\$ -3,600.10</u>
<u>Contributions</u>			
Revenue	\$ 19,700.23	\$ 8,275.00	\$ 11,425.23
Expenses		-1,200.00	1,200.00
Net Income	<u>\$ 19,700.23</u>	<u>\$ 7,075.00</u>	<u>\$ 12,625.23</u>
<u>Contract Income - Murfreesboro City Schools</u>			
Revenue	\$ 4,808.20	\$	\$ 4,808.20
Expenses	-1,825.00		-1,825.00
Net Income	<u>\$ 2,983.20</u>	<u>\$ 0.00</u>	<u>\$ 2,983.20</u>
<u>Gift Shop &amp; Gallery Sales</u>			
Revenue	\$ 15,998.55	\$ 17,007.08	\$ -1,008.53
Commissions & Cost of Merchandise Sold	-18,798.06	-14,962.33	-3,835.73
Expenses	-2,784.39	-3,359.03	574.64
Net Income	<u>\$ -5,583.90</u>	<u>\$ -1,314.28</u>	<u>\$ -4,269.62</u>
<u>Concessions</u>			
Revenue	\$ 1,594.00	\$ 7,262.75	\$ -5,668.75
Expenses	-2,083.37	-4,034.55	1,951.18
Net Income	<u>\$ -489.37</u>	<u>\$ 3,228.20</u>	<u>\$ -3,717.57</u>
<u>Classes</u>			
Revenue	\$ 13,613.00	\$ 16,225.00	\$ -2,612.00
Expenses	-10,914.63	-10,203.73	-710.90
Net Income	<u>\$ 2,698.37</u>	<u>\$ 6,021.27</u>	<u>\$ -3,322.90</u>
<u>Sponsors</u>			
Revenue	\$ 12,100.00	\$ 36,150.00	\$ -24,050.00
Expenses			0.00
Net Income	<u>\$ 12,100.00</u>	<u>\$ 36,150.00</u>	<u>\$ -24,050.00</u>
<u>Grants</u>			
Revenue	\$ 132,605.81	\$ 77,340.00	\$ 55,265.81
Expenses - Timber Co-op	-300.00	-2,865.00	2,565.00
Net Income	<u>\$ 132,305.81</u>	<u>\$ 74,475.00</u>	<u>\$ 57,830.81</u>
<u>Rentals, CD's, Publishing, &amp; Miscellaneous</u>			
Revenue	\$ 24,836.57	\$ 15,532.89	\$ 9,303.68
Expenses	-9,950.90	-23,850.07	13,899.17
Net Income	<u>\$ 14,885.67</u>	<u>\$ -8,317.18</u>	<u>\$ 23,202.85</u>
<u>Capital Campaign</u>			
Revenue	\$ 500.00	\$ 4,473.00	\$ -3,973.00
Expenses			0.00
Net Income	<u>\$ 500.00</u>	<u>\$ 4,473.00</u>	<u>\$ -3,973.00</u>

(Continued)

Subject to Accountant's Review Letter and Notes to the Financial Statements

HALL, DAVIDSON & ASSOCIATES, CERTIFIED PUBLIC ACCOUNTANTS

**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, 2008 and 2007

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
<u>Restaurant</u>			
Revenue	\$ 65,232.74	\$	\$ 65,232.74
Expenses	-71,417.54		-71,417.54
Net Income	\$ <u>-6,184.80</u>	\$ <u>0.00</u>	\$ <u>-6,184.80</u>
<u>Museum</u>			
Revenue	\$ 6,220.07	\$	\$ 6,220.07
Expenses	-12,445.98	-11,758.88	-687.10
Net Income	\$ <u>-6,225.91</u>	\$ <u>-11,758.88</u>	\$ <u>5,532.97</u>
<u>Timber Co-op</u>			
Revenue	\$	\$	\$ 0.00
Expenses	-6,700.00		-6,700.00
Net Income	\$ <u>-6,700.00</u>	\$ <u>0.00</u>	\$ <u>-6,700.00</u>

(Continued)

Subject to Accountant's Review Letter and Notes to the Financial Statements

HALL, DAVIDSON & ASSOCIATES, CERTIFIED PUBLIC ACCOUNTANTS

# 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, 2008 and 2007

	2008	2007	Increase (Decrease)
<u>All Activities</u>			
Total Revenue	\$ 505,828.80	\$ 415,021.35	\$ 90,807.45
Total Expenses	-204,925.01	-135,366.49	-69,558.52
Total Net Income	<u>\$ 300,903.79</u>	<u>\$ 279,654.86</u>	<u>\$ 21,248.93</u>
 <u>Administrative and General Expenses</u>			
Salaries and Wages	\$ 162,090.85	\$ 148,331.20	\$ 13,759.65
Payroll Taxes	12,399.95	11,347.53	1,052.42
Utilities and Telephone	38,606.03	28,187.71	10,418.32
Maintenance and Repairs	15,518.57	10,970.57	4,548.00
Advertising	1,661.91	756.55	905.36
Insurance - General	11,496.50	11,514.00	-17.50
Insurance - Employee Health	4,000.94	3,699.58	301.36
Printing	11,870.77	12,125.14	-254.37
Office Supplies and Expense	8,019.49	5,221.61	2,797.88
Postage and Shipping	5,514.59	7,981.87	-2,467.28
Travel	2,282.98	2,516.58	-233.60
Copier Lease & Expense		3,771.00	-3,771.00
Legal, Accounting, and Payroll services	4,553.82	4,388.50	165.32
Bank Card Expenses	4,348.94	3,961.84	387.10
Bank Charges	176.95	241.98	-65.03
Finance Charges	1,286.13		1,286.13
Graphic Arts	1,425.00		1,425.00
Miscellaneous Expenses	4,964.96	5,110.78	-145.82
Sales Tax	1,155.00	1,306.39	-151.39
Security	338.40	405.90	-67.50
Scholarships	300.00		300.00
Shop Supplies	906.90	4,185.61	-3,278.71
Depreciation	52,143.00	30,869.00	21,274.00
Total	<u>\$ 345,061.68</u>	<u>\$ 296,893.34</u>	<u>\$ 48,168.34</u>
<u>Net Income (Loss) from Operations</u>	<u>\$ -44,157.89</u>	<u>\$ -17,238.48</u>	<u>\$ -26,919.41</u>
 <u>Other Income</u>			
Interest Income	\$ 135.09	\$ 663.30	\$ -528.21
HUD Economic Development Grant for New Building		120,280.00	-120,280.00
Tennessee Dept. of Transportation Grant for New Building		134,064.00	-134,064.00
Cannon County Historical Society Donation for Museum		50,000.00	-50,000.00
Donation of Museum Collection		204,060.00	-204,060.00
Total	<u>\$ 135.09</u>	<u>\$ 509,067.30</u>	<u>\$ -508,932.21</u>
 <u>Other Expenses</u>			
Interest Expense	<u>\$ -23,490.55</u>	<u>\$ -15,979.94</u>	<u>\$ -7,510.61</u>
 <u>Change in Net Assets</u>	<u>\$ -67,513.35</u>	<u>\$ 475,848.88</u>	<u>\$ -543,362.23</u>
 <u>Net Assets at Beginning of Year</u>	<u>1,152,879.60</u>	<u>677,030.72</u>	<u>475,848.88</u>
<u>Net Assets at End of Year</u>	<u><u>\$ 1,085,366.25</u></u>	<u><u>\$ 1,152,879.60</u></u>	<u><u>\$ -67,513.35</u></u>

Subject to Accountant's Review Letter and Notes to the Financial Statements

HALL, DAVIDSON & ASSOCIATES, CERTIFIED PUBLIC ACCOUNTANTS

**THE ARTS CENTER OF CANNON COUNTY, INC.**  
Woodbury, Tennessee  
**Statements of Cash Flows**  
For the Fiscal Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Revenues	\$ 505,828.80	\$ 415,021.35
Expenses	-549,986.69	-432,259.83
Change in Net Assets from Operating Activities	<u>\$ -44,157.89</u>	<u>\$ -17,238.48</u>
 Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	\$ 52,143.00	\$ 30,869.00
Accounts Receivable	1,142.85	-6,250.00
Grants Receivable	20,400.00	19,600.00
Prepaid Expenses	2,980.00	-2,180.00
Inventory - CD's	-3,792.88	-4,306.12
Accounts Payable	-2,436.34	-11,491.70
Gift Cards Unredeemed	-169.00	22.00
Deferred Income - Sponsors	-15,000.00	5,000.00
Sales Tax Payable	-36.00	-78.00
Total Adjustments	<u>\$ 55,231.63</u>	<u>\$ 31,185.18</u>
 Net Cash Flows from Operating Activities	<u>\$ 11,073.74</u>	<u>\$ 13,946.70</u>
 <b><u>Cash Flows from Investing Activities</u></b>		
Interest Received	\$ 135.09	\$ 663.30
New Building Addition		-720,727.19
Additions to Land Improvements - Water & Sewer Lines		-100,743.60
Additions to Furniture, Fixtures and Equipment	-15,613.42	-4,377.77
Net Cash Flows from Investing Activities	<u>\$ -15,478.33</u>	<u>\$ -825,185.26</u>
 <b><u>Cash Flows from Financing Activities</u></b>		
Payments on Principal of Mortgage Notes	\$ -1,156.61	\$ -1,100.88
Interest Paid	-35,296.68	-1,015.12
Construction Loan from First National Bank	8,438.06	416,561.94
Loan from Fran Paris	10,000.00	
Cannon County Historical Society Donation for Museum		50,000.00
TDOT Grant for New Building		134,064.00
HUD Grant for New Building		120,280.00
Net Cash Flows from Financing Activities	<u>-18,015.23</u>	<u>718,789.94</u>
 <b><u>Net Increase (Decrease) in Cash</u></b>	<u>\$ -22,419.82</u>	<u>\$ -92,448.62</u>
 <b><u>Cash at Beginning of Year</u></b>	<u>\$ 37,147.83</u>	<u>\$ 129,596.45</u>
 <b><u>Cash at End of Year</u></b>	<u>\$ 14,728.01</u>	<u>\$ 37,147.83</u>
  <b><u>Cash Payments for Interest</u></b>	<u>\$ 35,296.68</u>	<u>\$ 1,015.12</u>
  <b><u>Cash Payments for Taxes</u></b>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

Subject to Accountant's Review Letter and Notes to the Financial Statements

HALL, DAVIDSON & ASSOCIATES, CERTIFIED PUBLIC ACCOUNTANTS

# THE ARTS CENTER OF CANNON COUNTY, INC.

Woodbury, Tennessee

## Notes to the Financial Statements

December 31, 2008 and 2007

### 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.

#### Accounts Receivable

#### 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

#### 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, 2008 and 2007

### 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:

	2008	2007
Tennessee Arts Commission - General Operating Support	\$ 23,000.00	\$ 13,600.00
Tennessee Arts Commission - General Operating Support		20,400.00
Tennessee Arts Commission - Annie Moses	1,250.00	10,000.00
Tennessee Arts Commission - Folk Arts Program	10,000.00	
Tennessee Arts Commission - Timber Co-op, Commission Initiative	10,000.00	
Tennessee Community Foundation - ABC Grant	720.00	
Middle Tennessee Electric Membership Corp.		3,000.00
Target		2,500.00
Community Foundation - Hands at Work	5,000.00	840.00
State of Tennessee - Gallery	1,500.00	
State of Tennessee - Community Enhancement	1,500.00	
National Endowment for the Arts - John Work Project		15,000.00
National Endowment for the Arts - Southbound Project	13,000.00	
National Endowment for the Arts - Dunlap Project		12,000.00
General Mills	10,000.00	
Total	\$ 75,970.00	\$ 77,340.00

### D. Long-Term Debt

The Arts Center of Cannon County, Inc., owed the United States Department of Agriculture Rural Development on a mortgage note 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. Payments are made semi-annually, on February 13 and August 13, in the amounts of \$1,058.00 on the mortgage, including interest at 5%. The schedule of payments is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
12-31-2009	1,215.41	900.59
12-31-2010	1,276.94	839.06
12-31-2011	1,341.58	774.42
12-31-2012	1,409.50	706.50
12-31-2013	1,479.50	636.50
Thereafter	11,589.50	2,120.14
Totals	\$ 18,312.43	\$ 5,977.21
Date Final Payment is Due	2-13-2020	

### E. Major Capital Expenditures and Related Financing

The Arts Center made two major capital expenditures in 2005. It paid for the Town of Woodbury to extend water and sewer lines to its property as required in preparation for a planned addition to the building at a cost of \$78,967.10. It spent \$47,071.96 on renovation and remodeling to the existing building.

A HUD Economic Development Grant of \$168,392.00 to be used for the new building addition was received in 2006. The amount of \$12,475.00 was spent in 2006 for architectural planning for the new building addition. In 2007, additional grants were received from HUD of \$120,280.00, from TDOT for \$134,064.00, and from the Cannon County Historical Society for \$50,000.00. At December 31, 2007, the amount owed to First National Bank on a construction loan was \$416,561.94. The loan was increased to \$425,000 in 2008. Management anticipates that permanent financing will be arranged through the USDA early in 2009. The building addition, which was completed in 2007, cost a total of \$733,202.19. It increased space by approximately 50% and provides for museum, restaurant, and office spaces. In addition, \$100,743.60 was spent in 2007 for sewer lines and parking lot improvements.

### F. 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.