

THE ARTS CENTER OF CANNON COUNTY, INC.
FINANCIAL STATEMENTS
December 31, 2018

THE ARTS CENTER OF CANNON COUNTY, INC.
Years ended December 31, 2018 and 2017

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INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Trustees
The Arts Center of Cannon County, Inc.

I have reviewed the accompanying financial statements of The Arts Center of Cannon County, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the year then ended, statement of functional expenses, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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, I do not express such an opinion.

Management's Responsibility for the Financial Statements

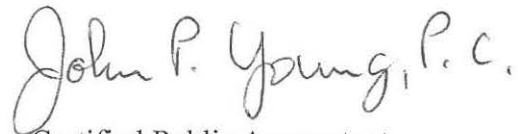
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

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


Certified Public Accountant

Hendersonville, Tennessee
March 4, 2019

THE ARTS CENTER OF CANNON COUNTY, INC.
(A Nonprofit Organization)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018 and 2017

ASSETS

	2018	2017	Increase (Decrease)
CURRENT ASSETS			
Cash on Hand	\$ 450	\$ 450	\$ -
Checking Account - FirstBank	117,221	169,786	(52,565)
Payroll Account - First National Bank	2,174	2,174	-
Prepaid Expense	24,390	11,120	13,270
Accounts Receivable	555	1,680	(1,125)
Grants Receivable	12,858	13,146	(288)
Total	<u>157,648</u>	<u>198,356</u>	<u>(40,708)</u>
PROPERTY, PLANT AND EQUIPMENT - UNRESTRICTED			
Land	143,664	143,664	-
Building	1,332,703	1,187,733	144,970
Less Allowance for Depreciation	(480,838)	(452,320)	(28,518)
Paving and Land Improvements	233,949	230,949	3,000
Less Allowance for Depreciation	(97,714)	(86,786)	(10,928)
Furniture, Fixtures and Equipment	293,547	292,690	857
Less Allowance for Depreciation	(245,747)	(230,414)	(15,333)
Total Property and Equipment	<u>1,179,564</u>	<u>1,085,516</u>	<u>94,048</u>
OTHER ASSETS			
Investments – Ameritrade Stock	1,460	20,460	(19,000)
Community Foundation Investments	92,139	85,030	7,109
Museum Collection	58,310	58,310	-
Total Other Assets	<u>151,909</u>	<u>163,800</u>	<u>(11,891)</u>
Total Assets	<u>\$ 1,489,121</u>	<u>\$ 1,447,672</u>	<u>\$ 41,449</u>

LIABILITIES AND NET ASSETS (DEFICIT)

CURRENT LIABILITIES			
Accounts Payable	\$ 4,032	\$ 4,452	\$ (420)
Deferred Income - Memberships and Ticket Sales	27,142	27,802	(660)
Sales Tax Payable	386	611	(225)
Accrued Interest Payable	-	259	(259)
Current Portion of Long-Term Debt	-	22,854	(22,854)
Total Current liabilities	<u>31,560</u>	<u>55,978</u>	<u>(24,418)</u>
LONG-TERM LIABILITIES			
United States Department of Agriculture - Rural Development/Farm Service Agency Mortgage	-	116,726	(116,726)
Less Portion Due Within One Year	-	(22,854)	22,854
Total Long Term Liabilities	<u>-</u>	<u>93,872</u>	<u>(93,872)</u>
NET ASSETS (DEFICIT)			
Unrestricted Net Assets – Operating	1,404,151	1,244,412	159,739
Restricted Net Assets	53,410	53,410	-
Total	<u>1,457,561</u>	<u>1,297,822</u>	<u>159,739</u>
Total Liabilities and Net Assets	<u>\$ 1,489,121</u>	<u>\$ 1,447,672</u>	<u>\$ 41,449</u>

The accompanying notes are an integral part of these statements.

THE ARTS CENTER OF CANNON COUNTY, INC.
(A Nonprofit Organization)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSESTS
For the Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
ALL ACTIVITIES			
Revenue	\$ 522,674	\$ 389,908	\$ 132,766
Cost of Goods Sold	(100,025)	(128,546)	28,521
Interest and Investment Income	2,595	4,919	(2,324)
Unrealized gain (loss) on investment	(9,121)	4,888	(14,009)
Net Assets released from restrictions added to unrestricted net assets	-	170	(170)
Net Assets released from restrictions removed from restricted net assets	-	(170)	170
TOTAL REVENUE	<u>416,123</u>	<u>271,169</u>	<u>144,954</u>
ADMINISTRATIVE AND GENERAL EXPENSES			
Advertising	4,031	4,221	(190)
Bad Debts	534	-	534
Bank Charges	5,644	4,876	768
Contract Services	2,100	480	1,620
Depreciation Expense	54,779	53,142	1,637
Donations	-	10,000	(10,000)
Equipment Expense	1,424	1,721	(297)
Insurance - General	8,494	8,737	(243)
Interest Expense	1,611	5,025	(3,414)
Investment Fees	603	474	129
Legal and Professional	4,466	3,984	482
Maintenance and Repairs	5,559	5,832	(273)
Office Expense	10,104	6,592	3,512
Payroll Taxes	11,185	9,822	1,363
Postage	1,365	924	441
Printing	3,475	2,591	884
Utilities and Telephone	21,764	21,950	(186)
Wages	119,246	119,772	(526)
TOTAL EXPENSES	<u>256,384</u>	<u>260,143</u>	<u>(3,759)</u>
CHANGE IN NET ASSETS	159,739	11,026	148,713
NET ASSETS AT BEGINNING OF YEAR	<u>1,297,822</u>	<u>1,286,796</u>	<u>11,026</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,457,561</u>	<u>\$ 1,297,822</u>	<u>159,739</u>

The accompanying notes are an integral part of these statements.

THE ARTS CENTER OF CANNON COUNTY, INC.
(A Nonprofit Organization)
STATEMENT OF CASH FLOWS
For the Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ 159,739	\$ 11,026
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	54,779	53,142
(Increase) decrease in:		
Accounts receivable	1,125	23,909
Grants receivable	288	3,834
Prepaid Expenses	(13,270)	(2,795)
Increase (decrease) in:		
Accounts payable	(420)	(4,420)
Accrued Interest Payable	(259)	(169)
Deferred Income – Memberships and Ticket Sales	(660)	10,439
Sales Tax Payable	(225)	(136)
Net cash provided by operating activities	<u>201,097</u>	<u>94,830</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Community Foundation Investments	(7,109)	(32,073)
Decrease Investments – Ameritrade Stock	19,000	(20,460)
Museum Collection sold and donated	-	170
Additions to Furniture, Fixtures, and Equipment	(148,827)	(20,828)
Net Cash Used by Investing Activities	<u>(136,936)</u>	<u>(73,191)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Principal of Mortgage Notes	(116,726)	(7,975)
Net cash used by financing activities	<u>(116,726)</u>	<u>(7,975)</u>
NET INCREASE (DECREASE) IN CASH	(52,565)	13,664
Cash at the beginning of the year	<u>172,410</u>	<u>158,746</u>
Cash at end of year	<u>\$ 119,845</u>	<u>\$ 172,410</u>
Supplemental cash flow disclosures:		
Cash paid for:		
Interest	\$ <u>1,611</u>	\$ <u>5,025</u>

The accompanying notes are an integral part of these statements.

THE ARTS CENTER OF CANNON COUNTY, INC.

(A Nonprofit Organization)

STATEMENT OF FUNCTIONAL EXPENSES

For the Years ended December 31, 2018 and 2017

	2018				2017			
	Supporting Services				Supporting Services			
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Salaries and wages	\$ 109,246	\$ 10,000	\$ -	\$ 119,246	\$ 105,772	\$ 10,000	\$ 4,000	\$ 119,772
Payroll taxes	10,420	765	-	11,185	8,751	765	306	9,822
Advertising	4,031	-	-	4,031	4,221	-	-	4,221
Bad Debts	534	-	-	534	-	-	-	-
Bank charges	5,644	-	-	5,644	4,876	-	-	4,876
Contract Services	2,100	-	-	2,100	480	-	-	480
Depreciation and Amortization	49,301	5,478	-	54,779	42,514	5,314	5,314	53,142
Donations	-	-	-	-	10,000	-	-	10,000
Equipment Expense	1,424	-	-	1,424	1,721	-	-	1,721
Insurance	8,494	-	-	8,494	8,737	-	-	8,737
Interest expense	1,611	-	-	1,611	5,025	-	-	5,025
Investment Fees	603	-	-	603	474	-	-	474
Legal and Professional	-	4,466	-	4,466	-	3,984	-	3,984
Maintenance and Repairs	5,559	-	-	5,559	5,832	-	-	5,832
Office supplies	10,104	-	-	10,104	6,592	-	-	6,592
Postage	1,365	-	-	1,365	924	-	-	924
Printing	3,475	-	-	3,475	2,591	-	-	2,591
Utilities and Telephone	21,764	-	-	21,764	21,950	-	-	21,950
Event Expenses	100,025	-	-	100,025	128,546	-	-	128,546
Unrealized Loss on Investment	9,121	-	-	9,121	-	-	-	-
Total Expenses	<u>\$ 344,821</u>	<u>\$ 20,709</u>	<u>\$ -</u>	<u>\$ 365,530</u>	<u>\$ 359,006</u>	<u>\$ 20,063</u>	<u>\$ 9,620</u>	<u>\$ 388,689</u>

The accompanying notes are integral to these financial statements.

THE ARTS CENTER OF CANNON COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2018 and 2017

NOTE 1: ORGANIZATION AND NATURE OF ACTIVITIES

Organization and Nature of Activities

The Arts Center of Cannon County, Inc. (The Arts Center) 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, therefore 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 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, using a December 31 fiscal year. Revenues are recognized when earned or measurable, and expenses are recognized when incurred or obligated. Works of art, crafts, and other merchandise are accepted from their creators and held for sale in the Arts 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.

THE ARTS CENTER OF CANNON COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (con'd)

Property, Plant and Equipment

The Arts Center 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, and 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 2018 to 2019 is \$27,142.

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.

NOTE 3: GRANTS

The Arts Center received the following grants for support and operating activities during the two years covered by this report:

	2018	2017
Tennessee Arts Comission - General		
Operating/Partnership Support	\$ 22,180	\$ 38,035
Total	\$ 22,180	\$ 38,035

THE ARTS CENTER OF CANNON COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2018 and 2017

NOTE 4: MAJOR CAPITAL EXPENDITURES AND RELATED FINANCING

The Silver Campaign is a fundraising program to encourage donations to the long term objective of the Arts Center. The Silver Campaign contributions received in 2018 were \$100,000.

NOTE 5: RESTRICTED NET ASSETS

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. 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. With the donors permission and assistance, during 2016 a portion of the collection was sold and a portion was donated to other museums. It is estimated that the collection remaining is valued at \$20,000.

NOTE 6: LONG-TERM DEBT

The Arts Center's long-term debt consisted of the U.S.D.A. Rural Development Association mortgage, which was payable at \$2,295 per month. Due to a donor's bequest funds were available to retire the mortgage on April 24, 2018.

NOTE 7: ADVERTISING

The Arts Center expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place.

NOTE 7: EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 4, 2019, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

THE ARTS CENTER OF CANNON COUNTY, INC.
(A Nonprofit Organization)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - SUPPLEMENTAL
For the Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
OPERATING REVENUE AND EXPENSES BY FUNCTION			
EVENTS			
Revenues	\$ 190,936	\$ 176,092	\$ 14,844
Expenses	(77,633)	(74,570)	(3,063)
Net Income	<u>113,303</u>	<u>101,522</u>	<u>11,781</u>
MEMBERSHIP/SEASON TICKETS			
Revenues	30,355	21,819	8,536
Expenses			-
Net Income	<u>30,355</u>	<u>21,819</u>	<u>8,536</u>
CONTRIBUTIONS			
Revenues	123,958	61,268	62,690
Expenses			-
Net Income	<u>123,958</u>	<u>61,268</u>	<u>62,690</u>
SILVER CAMPAIGN			
Revenues	100,000	-	100,000
Expenses			-
Net Income	<u>100,000</u>	<u>-</u>	<u>100,000</u>
GIFT SHOP & GALLERY SALES			
Revenues	15,056	26,383	(11,327)
Commissions & Cost of Merchandise Sold	(10,019)	(18,514)	8,495
Expenses	(1,896)	(1,438)	(458)
Net Income	<u>3,141</u>	<u>6,431</u>	<u>(3,290)</u>
FUNDRAISERS			
Revenues	-	22,375	(22,375)
Expenses	(200)	(6,169)	5,969
Net Income	<u>(200)</u>	<u>16,206</u>	<u>(16,406)</u>
CLASSES			
Revenues	20,052	18,108	1,944
Expenses	(10,465)	(13,238)	2,773
Net Income	<u>9,587</u>	<u>4,870</u>	<u>4,717</u>
SPONSERS			
Revenues	-	6,000	(6,000)
Expenses			-
Net Income	<u>-</u>	<u>6,000</u>	<u>(6,000)</u>
GRANTS			
Revenues	22,180	38,035	(15,855)
Expenses	(20)	(10,386)	10,366
Net Income	<u>22,160</u>	<u>27,649</u>	<u>(5,489)</u>

The accompanying notes are an integral part of these statements.

THE ARTS CENTER OF CANNON COUNTY, INC.
(A Nonprofit Organization)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - SUPPLEMENTAL
For the Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
RENTALS, CD'S, PUBLISHING, & MISCELLANEOUS			
Revenues	\$ 7,439	\$ 10,085	\$ (2,646)
Expenses	-	(3,586)	3,586
Net Income	<u>7,439</u>	<u>6,499</u>	<u>940</u>
 RESTAURANT – RENTAL			
Revenues	9,950	9,913	37
Expenses	<u>(1,000)</u>	<u>(615)</u>	<u>(385)</u>
Net Income	<u>8,950</u>	<u>9,298</u>	<u>(348)</u>
 MUSEUM			
Revenues			-
Expenses	-	(30)	30
Net Income	<u>-</u>	<u>(30)</u>	<u>30</u>

The accompanying notes are an integral part of these statements.