

THE ARTS CENTER OF CANNON COUNTY, INC.
FINANCIAL STATEMENTS
December 31, 2019

THE ARTS CENTER OF CANNON COUNTY, INC.
Years ended December 31, 2019 and 2018
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INDEPENDENT AUDITOR'S REPORT

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

I have audited 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, 2019 and the related statements of activities, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 misstatement.

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 judgment, 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

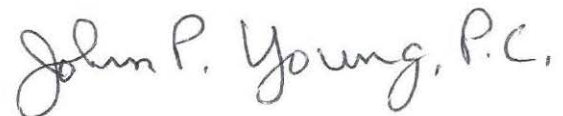
Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arts Center of Cannon County, Inc. as of December 31, 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The December 31, 2018 financial statements were reviewed by me and my report thereon, dated March 4, 2019, stated I was not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. A review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

Sincerely,

A handwritten signature in dark ink that reads "John P. Young, P.C." The signature is written in a cursive style with a large, stylized 'J' and 'Y'.

March 25, 2020

THE ARTS CENTER OF CANNON COUNTY, INC.
(A Nonprofit Organization)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019 and 2018

ASSETS

	2019	2018	Increase (Decrease)
CURRENT ASSETS			
Cash on Hand	\$ 450	\$ 450	\$ -
Checking Account – First Bank	82,909	117,221	(34,312)
Payroll Account - First National Bank	1,751	2,174	(423)
Prepaid Expense	-	24,390	(24,390)
Accounts Receivable	592	555	37
Grants Receivable	12,624	12,858	(234)
Total	<u>98,326</u>	<u>157,648</u>	<u>(59,322)</u>
PROPERTY, PLANT AND EQUIPMENT - UNRESTRICTED			
Land	143,664	143,664	-
Building	1,399,086	1,332,703	66,383
Less Allowance for Depreciation	(512,292)	(480,838)	(31,454)
Paving and Land Improvements	233,949	233,949	-
Less Allowance for Depreciation	(108,642)	(97,714)	(10,928)
Furniture, Fixtures and Equipment	298,847	293,547	5,300
Less Allowance for Depreciation	(260,961)	(245,747)	(15,214)
Total Property and Equipment	<u>1,193,651</u>	<u>1,179,564</u>	<u>14,087</u>
OTHER ASSETS			
Investments – Ameritrade Stock	1,463	1,460	3
Community Foundation Investments	131,652	92,139	39,513
Museum Collection	<u>58,310</u>	<u>58,310</u>	<u>-</u>
Total Other Assets	191,425	151,909	39,516
Total Assets	<u>\$ 1,483,402</u>	<u>\$ 1,489,121</u>	<u>\$ (5,719)</u>

LIABILITIES AND NET ASSETS (DEFICIT)

CURRENT LIABILITIES			
Accounts Payable	\$ 3,367	\$ 4,032	\$ (665)
Deferred Income - Memberships and Ticket Sales	24,605	27,142	(2,537)
Sales Tax Payable	400	386	14
Total Current liabilities	<u>28,372</u>	<u>31,560</u>	<u>(3,188)</u>
LONG-TERM LIABILITIES			
Total Long Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS (DEFICIT)			
Without Donor Restrictions	1,401,620	1,404,151	(2,531)
With Donor Restrictions	53,410	53,410	-
Total	<u>1,455,030</u>	<u>1,457,561</u>	<u>(2,531)</u>
Total Liabilities and Net Assets	<u>\$ 1,483,402</u>	<u>\$ 1,489,121</u>	<u>\$ (5,719)</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
For the Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS			
Revenue	\$ 370,860	\$ 522,674	\$ (151,814)
Cost of Goods Sold	(128,282)	(100,025)	(28,257)
Interest and Investment Income	5,042	2,595	2,447
Unrealized gain (loss) on investment	15,213	(9,121)	24,334
Net Assets released from restrictions added to unrestricted net assets	-	-	-
Net Assets released from restrictions removed from restricted net assets	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL PUBLIC SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS	 <u>262,833</u>	 <u>416,123</u>	 <u>(153,290)</u>
 ADMINISTRATIVE AND GENERAL EXPENSES			
Advertising	3,367	4,031	(664)
Bad Debts		534	(534)
Bank Charges	6,076	5,644	432
Contract Services	2,000	2,100	(100)
Depreciation Expense	57,596	54,779	2,817
Equipment Expense	3,786	1,424	2,362
Insurance - General	9,295	8,494	801
Interest Expense	-	1,611	(1,611)
Investment Fees	738	603	135
Legal and Professional	5,281	4,466	815
Maintenance and Repairs	11,269	5,559	5,710
Office Expense	7,033	10,104	(3,071)
Payroll Taxes	8,041	11,185	(3,144)
Postage	866	1,365	(499)
Printing	4,545	3,475	1,070
Travel	41	-	41
Utilities and Telephone	19,980	21,764	(1,784)
Wages	125,450	119,246	6,204
TOTAL EXPENSES	<u>265,364</u>	<u>256,384</u>	<u>8,980</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(2,531)</u>	<u>159,739</u>	<u>(162,270)</u>
 NET ASSETS AT BEGINNING OF YEAR	 <u>1,457,561</u>	 <u>1,297,822</u>	 <u>159,739</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 1,455,030</u>	 <u>\$ 1,457,561</u>	 <u>(2,531)</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ (2,531)	\$ 159,739
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	57,596	54,779
(Increase) decrease in:		
Accounts receivable	(37)	1,125
Grants receivable	234	288
Prepaid Expenses	24,390	(13,270)
Increase (decrease) in:		
Accounts payable	(665)	(420)
Accrued Interest Payable	-	(259)
Deferred Income – Memberships and Ticket Sales	(2,537)	(660)
Sales Tax Payable	14	(225)
Net cash provided by operating activities	<u>76,464</u>	<u>201,097</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Community Foundation Investments	(39,513)	(7,109)
Increase Investments – Ameritrade Stock	(3)	19,000
Museum Collection sold and donated	-	-
Additions to Furniture, Fixtures, and Equipment	<u>(71,683)</u>	<u>(148,827)</u>
Net Cash Used by Investing Activities	<u>(111,199)</u>	<u>(136,936)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Principal of Mortgage Notes	<u>-</u>	<u>(116,726)</u>
Net cash used by financing activities	<u>-</u>	<u>(116,726)</u>
NET INCREASE (DECREASE) IN CASH	(34,735)	(52,565)
Cash at the beginning of the year	<u>119,845</u>	<u>172,410</u>
Cash at end of year	<u>\$ 85,110</u>	<u>\$ 119,845</u>
Supplemental cash flow disclosures:		
Cash paid for:		
Interest	\$ -	\$ 1,611

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, 2019 and 2018

	2019				2018			
	Supporting Services				Supporting Services			
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Salaries and wages	\$ 115,450	\$ 10,000	\$ -	\$ 125,450	\$ 109,246	\$ 10,000	\$ -	\$ 119,246
Payroll taxes	7,276	765	-	8,041	10,420	765	-	11,185
Advertising	3,367	-	-	3,367	4,031	-	-	4,031
Bad Debts	-	-	-	-	534	-	-	534
Bank charges	6,076	-	-	6,076	5,644	-	-	5,644
Contract Services	2,000	-	-	2,000	2,100	-	-	2,100
Depreciation and Amortization	52,118	5,478	-	57,596	49,301	5,478	-	54,779
Equipment Expense	3,786	-	-	3,786	1,424	-	-	1,424
Insurance	9,295	-	-	9,295	8,494	-	-	8,494
Interest expense	-	-	-	-	1,611	-	-	1,611
Investment Fees	-	738	-	738	603	-	-	603
Legal and Professional	-	5,281	-	5,281	-	4,466	-	4,466
Maintenance and Repairs	11,269	-	-	11,269	5,559	-	-	5,559
Office Expenses	7,033	-	-	7,033	10,104	-	-	10,104
Postage	866	-	-	866	1,365	-	-	1,365
Printing	4,545	-	-	4,545	3,475	-	-	3,475
Travel	41	-	-	41	-	-	-	-
Utilities and Telephone	19,980	-	-	19,980	21,764	-	-	21,764
Event Expenses	128,282	-	-	128,282	100,025	-	-	100,025
Unrealized Loss on Investment	-	-	-	-	9,121	-	-	9,121
Total Expenses	\$ 371,384	\$ 22,262	\$ -	\$ 393,646	\$ 344,821	\$ 20,709	\$ -	\$ 365,530

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, 2019 and 2018

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, 2019 and 2018

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

Financial Statement Presentation

The net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time.

The Organization had net assets with donor restrictions in the amount of \$53,410 at December 31, 2019 and December 31, 2018.

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 2019 to 2020 is \$24,605.

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.
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2019 and 2018

NOTE 3: GRANTS

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

	2019	2018
Tennessee Arts Comission - General		
Operating/Partnership Support	\$ 23,040	\$ 22,180
Total	<u>\$ 23,040</u>	<u>\$ 22,180</u>

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 did not receive any contributions in 2019.

NOTE 5: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The organization has \$85,110 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures. The Arts Center of Cannon County, Inc. has a policy to structure financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to financial assets available to meet general expenditures over the next year, The Arts Center of Cannon County, Inc. anticipates collecting sufficient revenue to cover general expenditures.

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

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. The total art and basket collection remaining is valued at \$58,310, and there were no transactions in the Net Assets With Donor Restrictions for the years ending December 31, 2019 and 2018.

THE ARTS CENTER OF CANNON COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2019 and 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. Advertising expense was \$3,367 and \$4,031 for 2019 and 2018 respectively.

NOTE 8: REVIEW OF PREVIOUS YEAR FINANCIAL STATEMENTS

The December 31, 2018 financial statements were reviewed by the accountant, John P. Young, P.C. and his report thereon, dated March 4, 2019, stated he was not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. A review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

NOTE 9: EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 25, 2020, the date which the financial statements were available to be issued.

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
OPERATING REVENUE AND EXPENSES BY FUNCTION			
EVENTS			
Revenues	\$ 191,587	\$ 190,936	\$ 651
Expenses	(108,002)	(77,633)	(30,369)
Net Income	<u>83,585</u>	<u>113,303</u>	<u>(29,718)</u>
MEMBERSHIP/SEASON TICKETS			
Revenues	26,420	30,355	(3,935)
Expenses			-
Net Income	<u>26,420</u>	<u>30,355</u>	<u>(3,935)</u>
CONTRIBUTIONS			
Revenues	84,227	123,958	(39,731)
Expenses			-
Net Income	<u>84,227</u>	<u>123,958</u>	<u>(39,731)</u>
SILVER CAMPAIGN			
Revenues	-	100,000	(100,000)
Expenses			-
Net Income	<u>-</u>	<u>100,000</u>	<u>(100,000)</u>
GIFT SHOP & GALLERY SALES			
Revenues	17,925	15,056	2,869
Commissions & Cost of Merchandise Sold	(10,748)	(10,019)	(729)
Expenses	(71)	(1,896)	1,825
Net Income	<u>7,106</u>	<u>3,141</u>	<u>3,965</u>
CLASSES			
Revenues	12,816	20,052	(7,236)
Expenses	(10,005)	(10,465)	460
Net Income	<u>2,811</u>	<u>9,587</u>	<u>(6,776)</u>
GRANTS			
Revenues	23,040	22,180	860
Expenses	-	(20)	20
Net Income	<u>23,040</u>	<u>22,160</u>	<u>880</u>
RENTALS, CD'S, PUBLISHING, & MISCELLANEOUS			
Revenues	\$ 3,738	\$ 7,439	\$ (3,701)
Expenses		-	-
Net Income	<u>3,738</u>	<u>7,439</u>	<u>(3,701)</u>
RESTAURANT – RENTAL			
Revenues	9,900	9,950	(50)
Expenses	-	(1,000)	1,000
Net Income	<u>9,900</u>	<u>8,950</u>	<u>950</u>

The accompanying notes are an integral part of these statements.