

THE ARTS CENTER OF CANNON COUNTY, INC.
FINANCIAL STATEMENTS
December 31, 2016

THE ARTS CENTER OF CANNON COUNTY, INC.
Years ended December 31, 2016 and 2015

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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, 2016 and 2015, and the related statements of activities and cash flows for the year then ended, 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

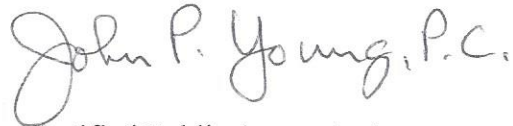
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and 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.

A handwritten signature in cursive script that reads "John P. Young, P.C.".

Certified Public Accountant

Hendersonville, Tennessee
March 10, 2017

THE ARTS CENTER OF CANNON COUNTY, INC.
(A Nonprofit Organization)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016 and 2015

ASSETS

	2016	2015	Increase (Decrease)
CURRENT ASSETS			
Cash on Hand	\$ 450	\$ 450	\$ -
Checking Account - FirstBank	158,237	104,790	53,447
Payroll Account - First National Bank	59	210	(151)
Prepaid Expense	8,325	13,375	(5,050)
Accounts Receivable	25,589	3,690	21,899
Grants Receivable	16,980	17,220	(240)
Total	<u>209,640</u>	<u>139,735</u>	<u>69,905</u>
PROPERTY, PLANT AND EQUIPMENT - UNRESTRICTED			
Land	143,664	143,664	-
Building	1,187,733	1,187,733	-
Less Allowance for Depreciation	(423,802)	(393,401)	(30,401)
Paving and Land Improvements	213,414	213,414	-
Less Allowance for Depreciation	(79,598)	(74,586)	(5,012)
Furniture, Fixtures and Equipment	289,397	272,263	17,134
Less Allowance for Depreciation	(212,978)	(198,299)	(14,679)
Total Property and Equipment	<u>1,117,830</u>	<u>1,150,788</u>	<u>(32,958)</u>
OTHER ASSETS			
Community Foundation Investments	52,957	-	52,957
Museum Collection	<u>58,480</u>	<u>208,960</u>	<u>(150,480)</u>
Total Assets	<u>\$ 1,438,907</u>	<u>\$ 1,499,483</u>	<u>\$ (60,576)</u>

LIABILITIES AND NET ASSETS (DEFICIT)

CURRENT LIABILITIES			
Accounts Payable	\$ 8,872	\$ 6,245	\$ 2,627
Deferred Income - Memberships and Ticket Sales	17,363	16,536	827
Sales Tax Payable	747	601	146
Accrued Interest Payable	428	323	105
Current Portion of Long-Term Debt	22,333	22,333	-
Total Current liabilities	<u>49,743</u>	<u>46,038</u>	<u>3,705</u>
LONG-TERM LIABILITIES			
United States Department of Agriculture - Rural Development/Farm Service Agency Mortgage	124,701	124,834	(133)
Less Portion Due Within One Year	(22,333)	(22,333)	-
Total Long Term Liabilities	<u>102,368</u>	<u>102,501</u>	<u>(133)</u>
NET ASSETS (DEFICIT)			
Unrestricted Net Assets – Operating	1,233,216	1,146,884	86,332
Restricted Net Assets	53,580	204,060	(150,480)
Total	<u>1,286,796</u>	<u>1,350,944</u>	<u>(64,148)</u>
Total Liabilities and Net Assets	<u>\$ 1,438,907</u>	<u>\$ 1,499,483</u>	<u>\$ (60,576)</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
ALL ACTIVITIES			
Revenue	\$ 447,387	\$ 586,457	\$ (139,070)
Cost of Goods Sold	(135,211)	(105,969)	(29,242)
Interest and Investment Income	1,710		
Net Assets released from restrictions added to unrestricted net assets	150,480	-	150,480
Net Assets released from restrictions removed from restricted net assets	(150,480)	-	(150,480)
TOTAL REVENUE	<u>313,886</u>	<u>480,488</u>	<u>(166,602)</u>
ADMINISTRATIVE AND GENERAL EXPENSES			
Advertising	4,672	4,197	475
Bank Charges	5,359	4,678	681
Contract Services	2,322	8,243	(5,921)
Depreciation Expense	51,792	44,421	7,371
Donations	126,572	-	126,572
Equipment Expense	1,626	59	1,567
Insurance - General	8,562	8,733	(171)
Interest Expense	5,612	8,268	(2,656)
Investment Fees	224	-	224
Legal and Professional	4,464	7,210	(2,746)
Maintenance and Repairs	19,462	13,997	5,465
Office Expense	3,278	6,753	(3,475)
Payroll Taxes	8,418	8,275	143
Postage	1,194	1,134	60
Printing	1,822	2,979	(1,157)
Utilities and Telephone	22,622	34,133	(11,511)
Wages	110,033	108,168	1,865
TOTAL EXPENSES	<u>378,034</u>	<u>261,248</u>	<u>116,786</u>
CHANGE IN NET ASSETS	(64,148)	219,240	(283,388)
NET ASSETS AT BEGINNING OF YEAR	<u>1,350,944</u>	<u>1,131,704</u>	<u>219,240</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,286,796</u>	<u>\$ 1,350,944</u>	<u>(64,148)</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ (64,148)	\$ 219,240
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	51,792	44,421
(Increase) decrease in:		
Accounts receivable	(21,899)	(3,150)
Grants receivable	240	180
Prepaid Expenses	5,050	(4,605)
Increase (decrease) in:		
Accounts payable	2,627	969
Accrued Interest Payable	105	214
Deferred Income – Memberships and Ticket Sales	827	3,896
Sales Tax Payable	146	162
Net cash provided by operating activities	<u>(25,260)</u>	<u>261,327</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Community Foundation Investments	(52,957)	
Museum Collection sold and donated	150,480	
Additions to Furniture, Fixtures, and Equipment	<u>(18,834)</u>	<u>(40,652)</u>
Net Cash Used by Investing Activities	<u>78,689</u>	<u>(40,652)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Principal of Mortgage Notes	(133)	(169,620)
Interest Paid		
Net cash used by financing activities	<u>(133)</u>	<u>(169,620)</u>
NET INCREASE (DECREASE) IN CASH	53,296	51,055
Cash at the beginning of the year	<u>105,450</u>	
Cash at end of year	<u>\$ 158,746</u>	<u>\$ 51,055</u>
Supplemental cash flow disclosures:		
Cash paid for:		
Interest	\$ <u>5,612</u>	\$ <u>8,054</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
OPERATING REVENUE AND EXPENSES BY FUNCTION			
EVENTS			
Revenues	\$ 169,532	\$ 181,943	\$ (12,411)
Expenses	<u>(72,107)</u>	<u>(66,719)</u>	<u>(5,388)</u>
Net Income	<u>97,425</u>	<u>115,224</u>	<u>(17,799)</u>
MEMBERSHIP/SEASON TICKETS			
Revenues	23,281	25,770	(2,489)
Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Net Income	<u>23,281</u>	<u>25,770</u>	<u>(2,489)</u>
CONTRIBUTIONS			
Revenues	112,942	1,641	111,301
Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Net Income	<u>112,942</u>	<u>1,641</u>	<u>111,301</u>
SILVER CAMPAIGN			
Revenues	11,200	243,894	(232,694)
Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Net Income	<u>11,200</u>	<u>243,894</u>	<u>(232,694)</u>
GIFT SHOP & GALLERY SALES			
Revenues	50,299	28,343	21,956
Commissions & Cost of Merchandise Sold	(18,591)		(18,591)
Expenses	<u>(836)</u>	<u>(20,797)</u>	<u>19,961</u>
Net Income	<u>30,872</u>	<u>7,546</u>	<u>23,326</u>
FUNDRAISERS			
Revenues	22,785	22,502	283
Expenses	<u>(5,922)</u>	<u>(6,100)</u>	<u>178</u>
Net Income	<u>16,863</u>	<u>16,402</u>	<u>461</u>
CLASSES			
Revenues	12,945	16,826	(3,881)
Expenses	<u>(6,520)</u>	<u>(7,159)</u>	<u>639</u>
Net Income	<u>6,425</u>	<u>9,667</u>	<u>(3,242)</u>
SPONSERS			
Revenues		30	(30)
Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Net Income	<u>-</u>	<u>30</u>	<u>(30)</u>
GRANTS			
Revenues	28,800	34,900	(6,100)
Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Net Income	<u>28,800</u>	<u>34,900</u>	<u>(6,100)</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
RENTALS, CD'S, PUBLISHING, & MISCELLANEOUS			
Revenues	\$ 6,603	\$ 11,908	\$ (5,305)
Expenses	<u>(5,099)</u>	<u>(4,482)</u>	<u>(617)</u>
Net Income	<u>1,504</u>	<u>7,426</u>	<u>(5,922)</u>
 RESTAURANT			
Revenues	9,000	18,700	(9,700)
Expenses	<u>(1,519)</u>	<u>(712)</u>	<u>(807)</u>
Net Income	<u>7,481</u>	<u>17,988</u>	<u>(10,507)</u>
 MUSEUM			
Revenues			-
Expenses	<u>(24,617)</u>		<u>(24,617)</u>
Net Income	<u>(24,617)</u>	<u>-</u>	<u>(24,617)</u>

The accompanying notes are an integral part of these statements.

THE ARTS CENTER OF CANNON COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2016 and 2015

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, 2016 and 2015

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 2015 to 2016 is \$17,363.

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:

	2016	2015
Tennessee Arts Comission - General		
Operating/Partnership Support	\$ 28,800	\$ 28,580
Total	\$ 28,800	\$ 28,580

THE ARTS CENTER OF CANNON COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2016 and 2015

NOTE 4: MAJOR CAPITAL EXPENDITURES AND RELATED FINANCING

The Silver Campaign contributions received in 2014 included \$50,000 from one family, which has also pledged to contribute an additional \$50,000 per year for the next four years. A number of other smaller pledges have been received, but in accordance with the Arts Center's accounting policies, these pledges are not considered revenues until actually received. Silver Campaign contributions received in 2015 were \$243,894, which included \$200,000 from the family that pledged \$50,000 per year for four years in 2014. The family decided to expedite their payments and close out their pledge in 2015. During 2015 the Arts Center made additional payments of \$150,134 on the mortgage note from funds received in the Silver Campaign. Silver Campaign contributions received in 2016 were \$11,200.

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 now consists only of the U.S.D.A. Rural Development Association mortgage, which is payable at \$2,295 per month. Due to the Arts Center making an additional payment of \$150,134 on the mortgage in 2015, it was decided by the Arts Center and approved by the mortgagor to pay interest only during 2016: Mortgage interest paid in 2016 was \$5,507. Annual debt service requirements as follows:

Year	Principal	Interest	Total
2017	\$ 22,333	\$ 5,207	\$ 27,540
2018	23,359	4,181	27,540
2019	24,432	3,108	27,540
2020	25,555	1,985	27,540
2021	26,729	811	27,540
2022	2,293	43	2,336
Total	\$ <u>124,701</u>	\$ <u>15,335</u>	\$ <u>140,036</u>

ARTS CENTER OF CANNON COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2016 and 2015

NOTE 7: EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 10, 2017, the date which the financial statements were available to be issued.