

THE ARTS CENTER OF CANNON COUNTY, INC.
FINANCIAL STATEMENTS
December 31, 2020 and 2019

THE ARTS CENTER OF CANNON COUNTY, INC.
Years ended December 31, 2020 and 2019
TABLE OF CONTENTS

	<u>PAGE</u>
AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7-11
SUPPLEMENTARY INFORMATION	
Statement of Activities – Supplemental	12

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2020 and 2019 and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2020 and 2019 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.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of The Arts Center of Cannon County, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Art Center of Cannon County, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

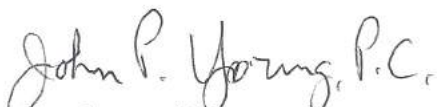
Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements
- Obtain an understanding of internal control relevant to the audit 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 Arts Center of Cannon County, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Art Center of Cannon County, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.


Hendersonville, Tennessee
March 25, 2021

THE ARTS CENTER OF CANNON COUNTY, INC.
(A Nonprofit Organization)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020 and 2019

ASSETS

	2020	2019	Increase (Decrease)
CURRENT ASSETS			
Cash on Hand	\$ 450	\$ 450	\$ -
Checking Account – First Bank	98,237	82,909	15,328
Payroll Account - First National Bank	619	1,751	(1,132)
Prepaid Expense	-	-	-
Accounts Receivable	-	592	(592)
Grants Receivable	14,820	12,624	2,196
Total	<u>114,126</u>	<u>98,326</u>	<u>15,800</u>
PROPERTY, PLANT AND EQUIPMENT - UNRESTRICTED			
Land	143,664	143,664	-
Building	1,399,086	1,399,086	-
Less Allowance for Depreciation	(547,591)	(512,292)	(35,299)
Paving and Land Improvements	233,949	233,949	-
Less Allowance for Depreciation	(118,054)	(108,642)	(9,412)
Furniture, Fixtures and Equipment	298,847	298,847	-
Less Allowance for Depreciation	(269,564)	(260,961)	(8,603)
Total Property and Equipment	<u>1,140,337</u>	<u>1,193,651</u>	<u>(53,314)</u>
OTHER ASSETS			
Investments – Ameritrade Stock	1,463	1,463	-
Community Foundation Investments	159,514	131,652	27,862
Museum Collection	58,310	58,310	-
Total Other Assets	<u>219,287</u>	<u>191,425</u>	<u>27,862</u>
Total Assets	<u>\$ 1,473,750</u>	<u>\$ 1,483,402</u>	<u>\$ (9,652)</u>

LIABILITIES AND NET ASSETS (DEFICIT)

CURRENT LIABILITIES			
Accounts Payable	\$ 954	\$ 3,367	\$ (2,413)
Deferred Income - Memberships and Ticket Sales	-	24,605	(24,605)
Sales Tax Payable	754	400	354
Total Current liabilities	<u>1,708</u>	<u>28,372</u>	<u>(26,664)</u>
LONG-TERM LIABILITIES			
Total Long Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS (DEFICIT)			
Without Donor Restrictions	1,418,632	1,401,620	17,012
With Donor Restrictions	53,410	53,410	-
Total	<u>1,472,042</u>	<u>1,455,030</u>	<u>17,012</u>
Total Liabilities and Net Assets	<u>\$ 1,473,750</u>	<u>\$ 1,483,402</u>	<u>\$ (9,652)</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS			
Revenue	\$ 282,010	\$ 370,860	\$ (88,850)
Cost of Goods Sold	(48,067)	(128,282)	80,215
Interest and Investment Income	9,975	5,042	4,933
Unrealized gain (loss) on investment	6,091	15,213	(9,122)
Net Assets released from restrictions added to unrestricted net assets	-	-	-
Net Assets released from restrictions removed from restricted net assets	-	-	-
	<u>250,009</u>	<u>262,833</u>	<u>(12,824)</u>
TOTAL PUBLIC SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS			
ADMINISTRATIVE AND GENERAL EXPENSES			
Advertising	1,815	3,367	(1,552)
Bad Debts	592	-	592
Bank Charges	3,238	6,076	(2,838)
Contract Services	-	2,000	(2,000)
Depreciation Expense	53,314	57,596	(4,282)
Equipment Expense	-	3,786	(3,786)
Insurance - General	10,165	9,295	870
Investment Fees	849	738	111
Legal and Professional	6,496	5,281	1,215
Maintenance and Repairs	10,955	11,269	(314)
Office Expense	5,254	7,033	(1,779)
Payroll Taxes	9,377	8,041	1,336
Postage	1,134	866	268
Printing	939	4,545	(3,606)
Travel	-	41	(41)
Utilities and Telephone	16,393	19,980	(3,587)
Wages	107,676	125,450	(17,774)
TOTAL EXPENSES	<u>228,197</u>	<u>265,364</u>	<u>(37,167)</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	21,812	(2,531)	24,343
NET ASSETS AT BEGINNING OF YEAR	<u>1,455,030</u>	<u>1,457,561</u>	<u>(2,531)</u>
Correction of prior period	(4,800)		
NET ASSETS AT END OF YEAR	<u>\$ 1,472,042</u>	<u>\$ 1,455,030</u>	<u>17,012</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ 21,812	\$ (2,531)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	53,314	57,596
(Increase) decrease in:		
Accounts receivable	592	(37)
Grants receivable	(2,196)	234
Prepaid Expenses	-	24,390
Increase (decrease) in:		
Accounts payable	(2,413)	(665)
Deferred Income – Memberships and Ticket Sales	(24,605)	(2,537)
Sales Tax Payable	354	14
Net cash provided by operating activities	<u>46,858</u>	<u>76,464</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Community Foundation Investments	(32,662)	(39,513)
Increase Investments – Ameritrade Stock	-	(3)
Additions to Furniture, Fixtures, and Equipment	-	(71,683)
Net Cash Used by Investing Activities	<u>(32,662)</u>	<u>(111,199)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash used by financing activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	14,196	(34,735)
Cash at the beginning of the year	<u>85,110</u>	<u>119,845</u>
Cash at end of year	<u>\$ 99,306</u>	<u>\$ 85,110</u>
Supplemental cash flow disclosures:		
Cash paid for:		
Interest	\$ -	\$ -

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, 2020 and 2019

	2020			2019		
	Supporting Services			Supporting Services		
	Program Services	Management & General	Fundraising	Program Services	Management & General	Fundraising
Salaries and wages	\$ 97,676	\$ 10,000	\$ -	\$ 115,450	\$ 10,000	\$ -
Payroll taxes	8,612	765	-	7,276	765	-
Advertising	1,815	-	-	3,367	-	-
Bad Debts	592	-	-	-	-	-
Bank charges	3,238	-	-	6,076	-	-
Contract Services	-	-	-	2,000	-	-
Depreciation and Amortization	47,836	5,478	-	52,118	5,478	-
Equipment Expense	-	-	-	3,786	-	-
Insurance	10,165	-	-	9,295	-	-
Interest expense	-	-	-	-	-	-
Investment Fees	-	849	-	-	738	-
Legal and Professional	-	6,496	-	-	5,281	-
Maintenance and Repairs	10,955	-	-	11,269	-	-
Office Expenses	5,254	-	-	7,033	-	-
Postage	1,134	-	-	866	-	-
Printing	939	-	-	4,545	-	-
Travel	-	-	-	41	-	-
Utilities and Telephone	16,393	-	-	19,980	-	-
Event Expenses	48,067	-	-	128,282	-	-
Unrealized Loss on Investment	-	-	-	-	-	-
Total Expenses	\$ 252,676	\$ 23,588	\$ -	\$ 371,384	\$ 22,262	\$ -

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, 2020 and 2019

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, 2020 and 2019

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, 2020 and December 31, 2019.

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 2020 to 2021 is \$130.

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

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

THE ARTS CENTER OF CANNON COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2020 and 2019

NOTE 3: GRANTS

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

	2020	2019
Tennessee Arts Comission - General		
Operating/Partnership Support	\$ 27,504	\$ 23,040
Total	<u>\$ 27,504</u>	<u>\$ 23,040</u>

In addition the Organization received a SERG grant in the amount of \$13,427 in 2020 in response to COVID-19.

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 2020.

NOTE 5: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The organization has \$99,306 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, 2020 and 2019.

THE ARTS CENTER OF CANNON COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2020 and 2019

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 \$1,815 and \$3,367 for 2020 and 2019 respectively.

NOTE 8 – RISKS AND UNCERTAINTIES

In the normal course of business, the Company may be subject to various claims and litigation arising from normal business operations. There are no pending legal proceedings to which the Company is a party for which management believes the ultimate outcome would have a material adverse effect on the Company's financial position.

In December 2019, a novel strain of coronavirus, COVID-19, was reported to have surfaced in Wuhan, China. Since then, COVID-19 has spread to multiple countries, including the United States. On March 11, 2020 the World Health Organization designated COVID-19 a world health pandemic. If COVID-19 continues to spread in the United States, we expect to experience possible disruptions that could adversely impact our business. The Center was shutdown for some time and some events were restricted as to the number of those that could attend. It is unknown if there will be other shutdowns how long these disruptions could continue, were they to occur. Additionally, COVID-19's spread, which has had a broad global impact, including restrictions on travel and quarantine policies put into place by businesses and governments, may materially affect us economically by causing disruptions to the world markets. The extent to which COVID-19 may impact our business will depend on future developments, which are highly uncertain and cannot be predicted.

NOTE 9 – CARES ACT

On March 27, 2020 President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act appropriated funds for the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) to promote continued employment. Under the PPP, certain loans may be forgiven by the lender under the direction of the Administrator of the SBA so long as the requirements of the PPP for forgiveness are satisfied. Forgiveness does not occur automatically. Borrowers must submit a request for forgiveness along with all required documentation. Forgiveness will not occur unless, and until, the request for forgiveness is approved.

In May 2020, the Company received a \$25,935 PPP loan from First Bank. The proceeds were expended on approved payroll expenses as specified under the CARES Act during the fiscal year. The Company filed for loan forgiveness along with all relevant documentation and received forgiveness of the entire loan balance and interest of \$124 from the SBA in October 2020.

THE ARTS CENTER OF CANNON COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2020 and 2019

NOTE 10: PRIOR PERIOD ADJUSTMENT

The Organization received \$4,800 from the Community Foundation in 2019 that was recorded as grant income instead of a withdrawal from the investment with the Community Foundation.

NOTE 11: EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 25, 2021, 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, 2020 and 2019

	2020	2019	Increase (Decrease)
OPERATING REVENUE AND EXPENSES BY FUNCTION			
EVENTS			
Revenues	\$ 52,488	\$ 191,587	\$ (139,099)
Expenses	(22,271)	(108,002)	85,731
Net Income	<u>30,217</u>	<u>83,585</u>	<u>(53,368)</u>
MEMBERSHIP/SEASON TICKETS			
Revenues	29,005	26,420	2,585
Expenses			-
Net Income	<u>29,005</u>	<u>26,420</u>	<u>2,585</u>
CONTRIBUTIONS			
Revenues	75,087	84,227	(9,140)
Expenses			-
Net Income	<u>75,087</u>	<u>84,227</u>	<u>(9,140)</u>
FUNRAISER INCOME			
Revenues	8,452	-	8,452
Expenses	(2,970)		(2,970)
Net Income	<u>5,482</u>	<u>-</u>	<u>5,482</u>
GIFT SHOP & GALLERY SALES			
Revenues	16,970	17,925	(955)
Commissions & Cost of Merchandise Sold	(12,135)	(10,748)	(1,387)
Expenses	-	(71)	71
Net Income	<u>4,835</u>	<u>7,106</u>	<u>(2,271)</u>
CLASSES			
Revenues	12,800	12,816	(16)
Expenses	(7,068)	(10,005)	2,937
Net Income	<u>5,732</u>	<u>2,811</u>	<u>2,921</u>
GRANTS			
Revenues	43,127	23,040	20,087
Expenses	-	-	-
Net Income	<u>43,127</u>	<u>23,040</u>	<u>20,087</u>
RENTALS, CD'S, PUBLISHING, & MISCELLANEOUS			
Revenues	\$ 7,346	\$ 3,738	\$ 3,608
Expenses		-	-
Net Income	<u>7,346</u>	<u>3,738</u>	<u>3,608</u>
RESTAURANT – RENTAL			
Revenues	10,800	9,900	900
Expenses	-	-	-
Net Income	<u>10,800</u>	<u>9,900</u>	<u>900</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 - SUPPLEMENTAL
For the Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
PPP Loan			
Revenues	\$ 25,935	\$ -	\$ 25,935
Expenses		-	-
Net Income	<u>25,935</u>	<u>-</u>	<u>25,935</u>

The accompanying notes are an integral part of these statements.