

THE ARTS CENTER OF CANNON COUNTY, INC.

Woodbury, Tennessee

Reviewed Financial Statements

For the Fiscal Years Ended

December 31, 2006 and 2005

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, 2006 and 2005, 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, 2007

THE ARTS CENTER OF CANNON COUNTY, INC.

Woodbury, Tennessee

Statements of Financial Position

December 31, 2006 and 2005

	2006	2005	Increase (Decrease)
<u>Assets</u>			
<u>Current Assets - Unrestricted</u>			
Cash on Hand	\$ 450.00	\$ 450.00	\$ 0.00
Checking Account - RegionsBank	17,007.46	32,126.28	-15,118.82
Legacy Account - First National Bank	100,133.50	3,885.94	96,247.56
Checking Account - First National Bank - Gallery	2,745.30	385.30	2,360.00
Checking Account - First National Bank - Production 1	79.79	21.79	58.00
Checking Account - First National Bank - Production 2	477.93	428.32	49.61
Checking Account - Construction	4,800.00		4,800.00
Payroll Account - First National Bank	3,902.47	3,885.87	16.60
Prepaid Expenses	800.00		800.00
Accounts Receivable - Grants	40,000.00	22,900.00	17,100.00
Total	<u>\$ 170,396.45</u>	<u>\$ 64,083.50</u>	<u>\$ 106,312.95</u>
<u>Property, Plant and Equipment - Unrestricted</u>			
Land	\$ 50,372.57	\$ 50,372.57	\$ 0.00
Building	454,530.39	454,530.39	0.00
Less Allowance for Depreciation	-138,121.81	-126,050.81	-12,071.00
Construction Work in Progress	12,475.00		12,475.00
Paving and Land Improvements	108,270.60	108,270.60	0.00
Less Allowance for Depreciation	-28,266.25	-24,288.25	-3,978.00
Furniture, Fixtures and Equipment	206,702.33	191,686.00	15,016.33
Less Allowance for Depreciation	-112,364.40	-98,216.40	-14,148.00
Total	<u>\$ 553,598.43</u>	<u>\$ 556,304.10</u>	<u>\$ -2,705.67</u>
<u>Total Assets</u>	<u>\$ 723,994.88</u>	<u>\$ 620,387.60</u>	<u>\$ 103,607.28</u>
<u>Liabilities and Net Assets</u>			
<u>Current Liabilities</u>			
Accounts Payable	\$ 14,800.74	\$ 86,571.14	\$ -71,770.40
Gift Cards Unredeemed	443.00		443.00
Deferred Income - Sponsors	10,000.00		10,000.00
Sales Tax Payable	756.00	769.00	-13.00
Accrued Interest Payable	394.50	405.33	-10.83
Current Portion of Long-Term Debt	1,101.10	1,048.08	53.02
Total	<u>\$ 27,495.34</u>	<u>\$ 88,793.55</u>	<u>\$ -61,298.21</u>
<u>Long-Term Liabilities</u>			
United States Department of Agriculture - Rural Development/Farm Service Agency: Mortgage	\$ 20,569.92	\$ 21,617.75	\$ -1,047.83
Less Portion Due Within One Year	-1,101.10	-1,048.08	-53.02
Total	<u>\$ 19,468.82</u>	<u>\$ 20,569.67</u>	<u>\$ -1,100.85</u>
<u>Net Assets</u>			
Unrestricted Net Assets: Operating	<u>\$ 677,030.72</u>	<u>\$ 511,024.38</u>	<u>\$ 166,006.34</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 723,994.88</u>	<u>\$ 620,387.60</u>	<u>\$ 103,607.28</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, 2006 and 2005

	2006	2005	Increase (Decrease)
<u>Operating Revenues and Expenses by Function</u>			
<u>Events</u>			
Revenue	\$ 118,655.42	\$ 131,697.10	\$ -13,041.68
Expenses	-61,924.98	-58,271.63	-3,653.35
Net Income	<u>\$ 56,730.44</u>	<u>\$ 73,425.47</u>	<u>\$ -16,695.03</u>
<u>Memberships/Season Tickets</u>			
Revenue	\$ 38,744.32	\$ 29,232.00	\$ 9,512.32
Expenses			0.00
Net Income	<u>\$ 38,744.32</u>	<u>\$ 29,232.00</u>	<u>\$ 9,512.32</u>
<u>Contributions</u>			
Revenue	\$ 7,510.00	\$ 5,870.00	\$ 1,640.00
Expenses			0.00
Net Income	<u>\$ 7,510.00</u>	<u>\$ 5,870.00</u>	<u>\$ 1,640.00</u>
<u>Contract Income - Murfreesboro City Schools</u>			
Revenue	\$ 14,300.00	\$ 37,500.00	\$ -23,200.00
Expenses	-914.14	-465.00	-449.14
Net Income	<u>\$ 13,385.86</u>	<u>\$ 37,035.00</u>	<u>\$ -23,649.14</u>
<u>Gift Shop & Gallery Sales</u>			
Revenue	\$ 19,473.47	\$ 18,359.82	\$ 1,113.65
Commissions & Cost of Merchandise Sold	-12,685.66	-12,721.88	36.22
Expenses	-4,241.42	-3,145.89	-1,095.53
Net Income	<u>\$ 2,546.39</u>	<u>\$ 2,492.05</u>	<u>\$ 54.34</u>
<u>Concessions</u>			
Revenue	\$ 3,205.09	\$ 2,442.00	\$ 763.09
Expenses	-2,301.26	-1,384.59	-916.67
Net Income	<u>\$ 903.83</u>	<u>\$ 1,057.41</u>	<u>\$ -153.58</u>
<u>Classes</u>			
Revenue	\$ 15,238.50	\$ 16,324.50	\$ -1,086.00
Expenses	-12,425.96	-14,406.18	1,980.22
Net Income	<u>\$ 2,812.54</u>	<u>\$ 1,918.32</u>	<u>\$ 894.22</u>
<u>Sponsors</u>			
Revenue	\$ 18,800.00	\$ 20,800.00	\$ -2,000.00
Expenses			0.00
Net Income	<u>\$ 18,800.00</u>	<u>\$ 20,800.00</u>	<u>\$ -2,000.00</u>
<u>Grants</u>			
Revenue	\$ 79,520.00	\$ 87,068.21	\$ -7,548.21
Expenses - Timber Co-op	-8,255.00		-8,255.00
Net Income	<u>\$ 71,265.00</u>	<u>\$ 87,068.21</u>	<u>\$ -15,803.21</u>
<u>Rentals, CD's, Publishing, & Miscellaneous</u>			
Revenue	\$ 8,104.81	\$ 4,756.05	\$ 3,348.76
Expenses	-4,404.91	-7,927.39	3,522.48
Net Income	<u>\$ 3,699.90</u>	<u>\$ -3,171.34</u>	<u>\$ 6,871.24</u>
<u>Capital Campaign</u>			
Revenue	\$ 21,520.00	\$ 16,986.00	\$ 4,534.00
Expenses			0.00
Net Income	<u>\$ 21,520.00</u>	<u>\$ 16,986.00</u>	<u>\$ 4,534.00</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>	<u>Increase (Decrease)</u>
<u>Operating Revenues and Expenses</u>			
<u>All Activities</u>			
Total Revenue	\$ 345,071.61	\$ 371,035.68	\$ -25,964.07
Total Expenses	-107,153.33	-98,322.56	-8,830.77
Total Net Income	<u>\$ 237,918.28</u>	<u>\$ 272,713.12</u>	<u>\$ -34,794.84</u>
<u>Administrative and General Expenses</u>			
Salaries and Wages	\$ 144,897.59	\$ 158,155.60	\$ -13,258.01
Payroll Taxes	11,084.87	12,099.09	-1,014.22
Utilities and Telephone	24,599.16	21,715.38	2,883.78
Maintenance and Repairs	6,355.64	4,470.38	1,885.26
Advertising	1,173.71	319.86	853.85
Archive		851.20	-851.20
Insurance - General	6,505.33	6,487.92	17.41
Insurance - Employee Health	3,219.50	2,705.98	513.52
Printing	9,997.99	18,134.92	-8,136.93
Office Supplies and Expense	5,918.96	4,607.80	1,311.16
Postage and Shipping	6,095.69	7,750.87	-1,655.18
Travel	2,252.94	1,529.64	723.30
Copier Lease & Expense	5,028.00	5,428.35	-400.35
Legal, Accounting, and Payroll services	3,994.00	4,525.50	-531.50
Bank Card Expenses	3,041.97	2,942.45	99.52
Bank Charges	141.04	462.00	-320.96
Miscellaneous Expenses	4,535.02	3,573.08	961.94
Sales Tax	1,527.00	1,452.00	75.00
Security	336.50	324.40	12.10
Museum Expense	197.49	305.77	-108.28
Shop Supplies	1,748.09	1,611.33	136.76
Depreciation	30,197.00	27,276.00	2,921.00
Total	<u>\$ 272,847.49</u>	<u>\$ 286,729.52</u>	<u>\$ -13,882.03</u>
<u>Net Income from Operations</u>	<u>\$ -34,929.21</u>	<u>\$ -14,016.40</u>	<u>\$ -20,912.81</u>
<u>Other Income</u>			
Interest Income	\$ 1,003.22	\$ 107.47	\$ 895.75
HUD Economic Development Grant for New Building	168,392.00		168,392.00
Insurance Payment for Hail Damage	34,193.24		34,193.24
Total	<u>\$ 203,588.46</u>	<u>\$ 107.47</u>	<u>\$ 203,480.99</u>
<u>Other Expenses</u>			
Interest Expense	<u>\$ -2,652.91</u>	<u>\$ -1,090.27</u>	<u>\$ -1,562.64</u>
<u>Change in Net Assets</u>	<u>\$ 166,006.34</u>	<u>\$ -14,999.20</u>	<u>\$ 181,005.54</u>
<u>Net Assets at Beginning of Year</u>	<u>511,024.38</u>	<u>526,023.58</u>	<u>-14,999.20</u>
<u>Net Assets at End of Year</u>	<u><u>\$ 677,030.72</u></u>	<u><u>\$ 511,024.38</u></u>	<u><u>\$ 166,006.34</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Cash Flows from Operating Activities</u>		
Revenues	\$ 345,071.61	\$ 371,035.68
Expenses	-380,000.82	-385,052.08
Change in Net Assets from Operating Activities	<u>\$ -34,929.21</u>	<u>\$ -14,016.40</u>
Adjustment to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	\$ 30,197.00	\$ 27,276.00
Accounts Receivable	-17,100.00	-21,400.00
Prepaid Expenses	-800.00	
Accounts Payable	-71,770.40	81,752.82
Gift Cards Unredeemed	443.00	
Deferred Income - Sponsors	10,000.00	
Sales Tax Payable	-13.00	-12.00
Payroll Taxes Payable		
Total Adjustments	<u>\$ -49,043.40</u>	<u>\$ 87,616.82</u>
Net Cash Flows from Operating Activities	<u>\$ -83,972.61</u>	<u>\$ 73,600.42</u>
<u>Cash Flows from Investing Activities</u>		
Interest Received	\$ 1,003.22	\$ 107.47
Remodeling & Renovation of Building		-47,071.96
Construction Work in Progress - New Building Addition	-12,475.00	
Additions to Land Improvements - Water & Sewer Lines		-78,967.10
Additions to Furniture, Fixtures and Equipment	-15,016.33	-19,729.33
Net Cash Flows from Investing Activities	<u>\$ -26,488.11</u>	<u>\$ -145,660.92</u>
<u>Cash Flows from Financing Activities</u>		
Payments on Principal of Mortgage Notes	\$ -1,047.83	\$ -997.34
Interest Paid	-2,663.74	-1,118.66
Insurance Payment for Hail Damage	34,193.24	
HUD Grant for New Building	168,392.00	
Net Cash Flows from Financing Activities	<u>198,873.67</u>	<u>-2,116.00</u>
<u>Net Increase (Decrease) in Cash</u>	<u>\$ 88,412.95</u>	<u>\$ -74,176.50</u>
<u>Cash at Beginning of Year</u>	<u>\$ 41,183.50</u>	<u>\$ 115,360.00</u>
<u>Cash at End of Year</u>	<u>\$ 129,596.45</u>	<u>\$ 41,183.50</u>
 <u>Cash Payments for Interest</u>	 <u>\$ 2,663.74</u>	 <u>\$ 1,118.66</u>
 <u>Cash Payments for Taxes</u>	 <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, 2006 and 2005

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. The Arts Center of Cannon County, Inc., has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

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.

Investments

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, 2006 and 2005

C. Grants

The Arts Center of Cannon County, Inc., received the following grants during the two years covered by this report:

	2006	2005
Tennessee Arts Commission - General Operating Support	\$	\$ 11,600.00
Tennessee Arts Commission - General Operating Support		21,650.00
Tennessee Arts Commission - Support - Folk Arts Traditions		10,000.00
Tennessee Arts Commission - McGee Retrospective		5,000.00
Tennessee Arts Commission - Fairfield Four		3,500.00
Tennessee Arts Commission - White Oak Basket Exhibit	12,000.00	
Tennessee Arts Commission - Davis CD Project	5,500.00	2,500.00
Tennessee Arts Commission - LeRoy Troy	1,000.00	
* Tennessee Arts Commission - General Operating Support	* 35,000.00	
Middle Tennessee Electric Membership Corp. - Ransom of Red Chief Target -	2,500.00	
Community Foundation - Classes	1,000.00	
State of Tennessee - Museum		1,951.21
Community Foundation - Stage Page		1,200.00
* National Endowment for the Arts - John Work Exhibit	* 5,000.00	
National Endowment for the Arts - Timber Co-op	11,080.00	
National Endowment for the Arts - Cumberland Crafts Tour		4,000.00
National Endowment for the Arts - Folklorist		8,333.00
National Endowment for the Arts - Folklorist		8,334.00
National Endowment for the Arts - Folklorist		4,000.00
National Endowment for the Arts - Folklorist		5,000.00
Total	\$ 73,080.00	\$ 87,068.21

* Grants Applied for to Reimburse 2006 Expenditures - Actually Received in 2007

D. Long-Term Debt

The Arts Center of Cannon County, Inc., owed the United States Department of Agriculture Rural Development on two mortgage notes secured by its land and building. Since there is little chance they would be re-financed, they are considered to be shown at fair value. The balance on the first mortgage, \$72,496.96, was paid in full on February 10, 2003. Payments are made semi-annually, on February 13 and August 13, in the amounts of \$1,058.00 on the second mortgage, including interest at 5%. The schedule of payments is as follows:

Year Ending	Second Mortgage	
	Principal	Interest
12-31-2007	1,101.10	1,014.90
12-31-2008	1,156.84	959.16
12-31-2009	1,215.41	900.59
12-31-2010	1,276.94	839.06
12-31-2011	1,341.58	774.42
Thereafter	14,478.05	3,463.14
Totals	\$ 20,569.92	\$ 7,951.27
Date Final Payment is Due	2-13-2020	

E. Major Capital Expenditures

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 building. Equipment purchases totaled \$19,729.33. The Arts Center borrowed \$80,000.00 from the First National Bank in January, 2006, to pay the accounts payable owed at December 31, 2005, for the water and sewer line installation.

A HUD Economic Development Grant 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.