
CRAFT ALLIANCE
FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

CRAFT ALLIANCE
JUNE 30, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Craft Alliance
St. Louis, Missouri

We have audited the accompanying financial statements of **Craft Alliance (the Organization)**, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 auditors' 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Craft Alliance** as of June 30, 2013 and 2012, 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.

Kiefer Bonfanti & Co. LLP

St. Louis, Missouri
September 25, 2013

CRAFT ALLIANCE

STATEMENTS OF FINANCIAL POSITION

	Assets	
	June 30,	
	2013	2012
Current Assets		
Cash and cash equivalents	\$ 28,956	\$ 48,780
Accounts receivable	10,343	14,665
Promises to give	103,512	121,604
Inventory	89,552	87,236
Prepaid expenses	29,033	29,833
Total Current Assets	261,396	302,118
Property and Equipment, Net	503,861	549,496
Promises to Give, Long-term	19,036	28,092
Assets Restricted for Endowment	22,125	22,125
Total Assets	\$ 806,418	\$ 901,831

Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 353,997	\$ 168,177
Accounts payable	27,249	26,281
Deferred revenue	104,723	117,655
Total Current Liabilities	485,969	312,113
Other Liabilities		
Long-term debt	478,036	561,031
Total Liabilities	964,005	873,144
Net Assets (Deficit)		
Unrestricted	(222,279)	(149,885)
Temporarily restricted	42,567	156,447
Permanently restricted	22,125	22,125
Total Net Assets (Deficit)	(157,587)	28,687
Total Liabilities and Net Assets (Deficit)	\$ 806,418	\$ 901,831

CRAFT ALLIANCE

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Tuition, net of discounts of \$74,911	\$ 408,473	\$ -	\$ -	\$ 408,473
Contracts and special programs	48,811	-	-	48,811
Gallery shop, net of discounts of \$58,671	520,834	-	-	520,834
Exhibition gallery, net of discounts of \$6,864	36,648	-	-	36,648
Miscellaneous income	3,413	-	-	3,413
Total Revenue	1,018,179	-	-	1,018,179
Public Support				
Individual	184,317	6,500	-	190,817
Corporate	45,920	-	-	45,920
Foundation	34,144	4,800	-	38,944
Grants	39,801	104,870	-	144,671
Fundraising events	125,635	-	-	125,635
Total Public Support	429,817	116,170	-	545,987
Net Assets Released from Restrictions	230,050	(230,050)	-	-
Total Revenue and Support	1,678,046	(113,880)	-	1,564,166
Expenses				
Program services				
Delmar Education Center	336,441	-	-	336,441
Delmar Gallery Shop	454,352	-	-	454,352
Delmar Exhibition Gallery	109,788	-	-	109,788
Outreach	111,181	-	-	111,181
Grand Center Outreach	17,879	-	-	17,879
Grand Center	277,596	-	-	277,596
Total Program Services	1,307,237	-	-	1,307,237
Support services				
Management and general	124,590	-	-	124,590
Development	164,556	-	-	164,556
Fundraising events	78,358	-	-	78,358
Total Support Services	367,504	-	-	367,504
Total Expenses Before Depreciation	1,674,741	-	-	1,674,741
Increase (Decrease) in Net Assets Before Depreciation	3,305	(113,880)	-	(110,575)
Depreciation	(75,699)	-	-	(75,699)
Total Decrease in Net Assets	(72,394)	(113,880)	-	(186,274)
Net Assets (Deficit), Beginning of Year	(149,885)	156,447	22,125	28,687
Net Assets (Deficit), End of Year	\$ (222,279)	\$ 42,567	\$ 22,125	\$ (157,587)

CRAFT ALLIANCE

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Tuition, net of discounts of \$40,697	\$ 410,379	\$ -	\$ -	\$ 410,379
Contracts and special programs	50,679	-	-	50,679
Gallery shop, net of discounts of \$51,906	528,726	-	-	528,726
Exhibition gallery, net of discounts of \$803	43,243	-	-	43,243
Miscellaneous income	6,889	-	-	6,889
Total Revenue	1,039,916	-	-	1,039,916
Public Support				
Individual	192,042	6,000	-	198,042
Corporate	26,879	99,000	-	125,879
Foundation	65,111	25,468	-	90,579
Grants	644	96,371	-	97,015
Fundraising events	191,301	-	-	191,301
Total Public Support	475,977	226,839	-	702,816
Net Assets Released from Restrictions	274,533	(274,533)	-	-
Total Revenue and Support	1,790,426	(47,694)	-	1,742,732
Expenses				
Program services				
Delmar Education Center	310,022	-	-	310,022
Delmar Gallery Shop	453,288	-	-	453,288
Delmar Exhibition Gallery	105,570	-	-	105,570
Outreach	101,018	-	-	101,018
Grand Center Outreach	21,013	-	-	21,013
Grand Center	242,188	-	-	242,188
Total Program Services	1,233,099	-	-	1,233,099
Support services				
Management and general	146,985	-	-	146,985
Development	155,111	-	-	155,111
Fundraising events	103,037	-	-	103,037
Total Support Services	405,133	-	-	405,133
Total Expenses Before Depreciation, Uncollectible Promises to Give, and Loss on Disposal of Assets	1,638,232	-	-	1,638,232
Increase (Decrease) in Net Assets Before Depreciation, Uncollectible Promises to Give, and Loss on Disposal of Assets	152,194	(47,694)	-	104,500
Depreciation	(77,095)	-	-	(77,095)
Uncollectible Promises to Give	(5,300)	-	-	(5,300)
Loss on Disposal of Assets	(600)	-	-	(600)
Total Increase (Decrease) in Net Assets	69,199	(47,694)	-	21,505
Net Assets (Deficit), Beginning of Year	(219,084)	204,141	22,125	7,182
Net Assets (Deficit), End of Year	\$ (149,885)	\$ 156,447	\$ 22,125	\$ 28,687

CRAFT ALLIANCE

STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2013	2012
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (186,274)	\$ 21,505
Adjustments:		
Depreciation and amortization	75,699	77,095
Uncollectible promises to give	-	5,300
Loss on sale of fixed assets	-	600
Change in assets and liabilities		
(Increase) decrease in operating assets		
Accounts receivable	4,322	2,855
Promises to give	27,148	37,500
Inventory	(2,316)	841
Prepaid expenses	800	12,391
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	968	(3,206)
Sales tax payable	-	(2,648)
Deferred revenue	(12,932)	(34,264)
Net Cash Provided (Used) by Operating Activities	(92,585)	117,969
Cash Flows from Investing Activities		
Purchase of property and equipment	(30,064)	(17,460)
Net Cash Used by Investing Activities	(30,064)	(17,460)
Cash Flows from Financing Activities		
Proceeds from notes payable	300,000	(57,434)
Payments on notes payable	(407,175)	-
Net proceeds (payments) on lines of credit	210,000	(10,000)
Net Cash Provided (Used) by Financing Activities	102,825	(67,434)
Net Increase (Decrease) in Cash and Cash Equivalents	(19,824)	33,075
Cash and cash equivalents, beginning of year	48,780	15,705
Cash and Cash Equivalents, End of Year	\$ 28,956	\$ 48,780
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 27,709	\$ 29,056

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Business Description

Craft Alliance is Revealing the power of craft. We view craft as a source of skill and inspiration integral to human expression. Universal and inclusive in nature, craft empowers communities, enriches culture and fuels the economy. In an increasingly fast-paced world, craft takes its time. It brings together process and material, sparking thought, igniting dialogue, and provoking surprise and delight. Through bold stewardship and collaboration, we uncover craft's unique qualities, evolving role, and full potential for innovation.

Craft Alliance (the Organization) began as a cooperative gallery in the Central West End in 1964. Now the Organization has two facilities - one in the Delmar Loop and one in Grand Center which opened two years ago. The Delmar Loop facility is home to two galleries, a gallery shop, and an education center. The galleries in the Delmar location exhibit functional and sculptural contemporary craft in clay, glass, metal, fiber, and wood by international, national and regional established and emerging artists. The Organization offers year round classes in craft techniques to more than 2,500 people of all ages and abilities. The Organization's community outreach programs offer in-depth art experiences free of charge to 1,000 students and adults from underserved populations. Each year, close to 65,000 people come through the Organization's doors to look at the art in the exhibitions, buy art in the gallery shop, take classes in contemporary craft or participate in its community outreach and free family programs.

Craft Alliance opened a state-of-the-art satellite in Grand Center, St. Louis' vibrant arts and entertainment district in August of 2008. This location has three major components: an exhibition gallery, community programming, and educational programming that includes studio classes and an artist residency program. **Craft Alliance's** exhibition space at Grand Center focuses primarily on solo artists and site-specific installation art work that creates an environment to be explored and experienced. The exhibitions are designed to challenge the public's perception of craft by presenting large-scale, site-specific installations and work that pushes the boundaries of craft materials and ideas.

The Organization's primary sources of revenue include tuition, gallery shop and exhibition sales, and public support.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The financial statements of the Organization are presented on the accrual basis of accounting.

Notes to Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Financial Statement Presentation***

The Organization reports its information regarding financial position and activities according to three classes of net assets depending upon the existence or nature of any donor-imposed restrictions. The following is a description of these classes of net assets:

Unrestricted Net Assets

Those resources over which the Board of Directors has discretionary control. Designated amounts represent those resources that the Board has set aside for a particular purpose. Unrestricted net assets are available for operations including program services and management expenses. The Organization has been unable to maintain the appropriate amounts of net assets to comply with all donor-imposed restrictions, resulting in a deficit unrestricted net asset balance of \$222,279 and \$149,885 at June 30, 2013 and 2012, respectively.

Temporarily Restricted Net Assets

Those resources subject to donor-imposed restrictions on contributions that will be satisfied by actions of the Organization or the passage of time.

Permanently Restricted Net Assets

Those resources subject to donor-imposed restrictions that will be maintained permanently by the Organization. The donors of these resources permit the Organization to use all or part of the income earned, including capital appreciation on related investments, for unrestricted or temporarily restricted purposes. As shown on the statement of financial position, assets restricted for endowment are permanently restricted.

Restricted and Unrestricted Revenues and Public Support

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising Expenses

Advertising costs are charged to expense as incurred. Advertising expenses were \$44,912 and \$47,783 for the years ended June 30, 2013 and 2012, respectively.

Notes to Financial Statements (Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash and Cash Equivalents

The Organization considers all temporary cash investments as cash equivalents. These temporary cash investments are securities held for cash management purposes acquired with maturities of three months or less.

Accounts Receivable

Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. At June 30, 2013 and 2012, all accounts receivable balances are expected to be collectible, therefore, a valuation allowance is not considered necessary.

Promises to Give

Unconditional promises to give in future periods are recognized as support in the period the promises are received. Conditional promises to give, which depend upon specified future and uncertain events, are recognized as support when the conditions upon which they depend are substantially met. Promises to give are reported at the amount management expects to collect on balances outstanding at year end. All promises to give are expected to be collectible; therefore, management does not consider an allowance for uncollectible promises to be necessary. However, in accordance with generally accepted accounting principles, management discounts pledges that are not expected to be received within the next operating cycle.

Inventory

Merchandise inventory is carried at cost using the specific identification method.

Subsequent Events

Subsequent events have been evaluated through September 25, 2013, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Property and Equipment

Property and equipment are stated at cost, or fair market value if donated, less accumulated depreciation computed on the straight-line method, over the following periods:

Building and building improvements	20 – 40 years
Equipment, furniture and fixtures	5 – 10 years

Deferred Revenue

Tuition received in advance is deferred until earned.

Notes to Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Donated Services***

During the years ended June 30, 2013 and 2012, the value of contributed services meeting the requirements for recognition in the financial statements was insignificant and has not been recorded. The Organization pays for most services requiring specific expertise. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments.

Description of Program Services and Supporting Activities

The following program services and supporting activities are included in the accompanying financial statements:

Program Services

Includes those expenditures that enable the Organization to provide the following programs:

Education Center

The Organization's two Education Centers provide a curriculum of visual arts classes and workshops for children and adults of all ages. Classes offered throughout the year include clay, metal, fiber, glass, wood turning, graphic design and drawing and painting.

Exhibition Gallery

The Organization's three exhibition galleries feature the work of leading regional and national artists working in contemporary craft and present a series of exhibitions each year.

Gallery Shop

The Gallery Shop supports the artistic community by selling the work of regionally and nationally recognized artists.

Outreach

The Organization's community outreach programs offer in-depth art experiences to more than 1,000 school children and high school students each year primarily from urban schools with sharply reduced art curriculums. The Organization also provides classes for adults with disabilities. The Organization has a four-year art mentoring program for talented young artists (Crafting-a-Future), which offers high school students year-round art classes, mentoring and portfolio building and the opportunity to participate over a four year period free of charge.

Notes to Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Grand Center**

Grand Center has three major components; a new exhibition gallery, expanded outreach programming, and education programming with artist residencies. Through these programs, the Organization reaches new urban audiences, expands its outreach programming, forms new partnerships in the Grand Center area, and provides the St. Louis community with greater access to contemporary studio craft art.

Support Services

Includes those expenditures that support the Organization's programs:

Management and General

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of the Organization.

Development and Fundraising

Provides the structure necessary to encourage and secure memberships and private financial support from corporations, foundations, organizations, and individuals.

Expense Allocation

The costs of the Organization's programs and supporting services have been reported on a functional basis. This requires allocation of certain costs among the various programs and supporting services based on estimates made by management.

Income Tax Status

The Organization is exempt from income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Financial accounting standards for uncertain tax positions prohibit financial statement recognition of the impact of a tax position if the position is not "more likely than not" to be sustained on audit, based on the technical merits of the position. The standards also provide guidance on measurement, de-recognition, classification, interest and penalties, accounting in interim periods, transition, and disclosure requirements for uncertain tax positions. The Organization's federal, state, and local information returns for years ended June 30, 2010 and later remain subject to examination by taxing authorities. As of June 30, 2013, no returns have been selected for examination.

CRAFT ALLIANCE

Notes to Financial Statements (Continued)

2. CONCENTRATIONS OF CREDIT AND MARKET RISK

The Organization maintains several bank accounts at a St. Louis metropolitan area bank. The balances in these accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. There was no uninsured cash balance at June 30, 2013.

3. PROMISES TO GIVE

Unconditional promises to give are included in the financial statements and are recorded after discounting at the rate of 3.25% to the present value of the future cash flows.

Unconditional promises to give at June 30, 2013 and 2012 consist of the following:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Promises due in less than one year	\$ 103,512	\$ 121,604
Promises due in one to three years	20,000	30,000
	<u>123,512</u>	<u>151,604</u>
Less discount	(964)	(1,908)
Total Promises to Give at Present Value	\$ 122,548	\$ 149,696

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Land	\$ 35,462	\$ 35,462
Delmar building and improvements	784,615	775,865
Delmar equipment, furniture, and fixtures	325,770	317,617
Grand Center lease improvements	432,398	432,398
Grand Center equipment	206,430	193,269
Property and equipment at cost	<u>1,784,675</u>	<u>1,754,611</u>
Less accumulated depreciation	(1,280,814)	(1,205,115)
Property and Equipment, Net	\$ 503,861	\$ 549,496

Depreciation expense was \$75,699 and \$77,095 for the years ended June 30, 2013 and 2012, respectively.

Notes to Financial Statements (Continued)

5. LEASES

During 2007, the Organization entered into an operating lease with the Kranzberg Arts Foundation for additional studio and gallery space. The Organization began occupying approximately 6,000 square feet of the building beginning on August 1, 2008. In September of 2010, an additional 600 square feet was added for the newly created Wood Studio.

Rent payments are according to the following formula:

Period	Use Fee
Commencement date through end of Operating Year 3:	\$2.00 per usable square foot of the Premises
Operating Year 4 through end of initial term:	5.00% of Operator's Gross Receipts, but in no event shall the Use Fee exceed \$6.00 per usable square foot of the Premises
Each Extension Term:	5.00% of Operator's Gross Receipts, but in no event shall the Use Fee exceed \$8.00 per usable square foot of the Premises

The initial term of the lease is for 7 years with 5 additional renewals of two years each.

The maximum estimated lease payments for the next five years and thereafter are as follows:

Years Ending June 30,	Amount
2014	\$ 20,550
2015	20,550
2016	10,275
	<u>\$ 51,375</u>

Rental expense for the years ended June 30, 2013 and 2012 was \$22,479 and \$22,473, respectively.

CRAFT ALLIANCE

Notes to Financial Statements (Continued)

5. LEASES (CONTINUED)

The Organization also leases certain office equipment under operating leases. Minimum lease payments on the equipment are as follows:

Years Ending June 30,	Amount
2014	\$ 7,380
2015	4,812
2016	4,812
2017	4,812
2018	1,225
	\$ 23,041

6. DEBT

	June 30,	
	2013	2012
<p>Note payable to bank dated July 2011, with fixed interest rate at 6.5%. 35 monthly payments of principal and interest of \$1,851. Balloon payment of \$204,493 due July 2014. Secured by real estate (Delmar Building) and all other corporate assets.</p>	\$ 210,907	\$ 219,212
<p>Operating line-of-credit for \$400,000 dated January 2011, with interest at 0.50% plus the bank's index rate (3.25% at January 2013). Required monthly payments equal to the interest accrued on the outstanding balance. Balance and all unpaid accrued interest due on January 2014. Secured by a second deed of trust on real estate (Delmar Building) and all other corporate assets.</p>	320,000	110,000
<p>Note payable to bank dated May 2013, with fixed interest rate at 4.0%. 59 monthly payments of principal and interest of \$3,046. Balloon payment of \$168,183 due May 2018. Secured by real estate (Delmar Building) and all other corporate assets.</p>	300,000	-
<p>Loan payable to Grand Center dated November 2007. Fixed quarterly payments of \$12,500 began on October 31, 2011. Secured solely by donor pledges and pledged equipment. The loan was refinanced through a bank and the remaining amount will paid off during 2014.</p>	1,126	399,996
Total Debt	832,033	729,208
Less current portion	(353,997)	(168,177)
Total Debt, Net of Current Portion	\$ 478,036	\$ 561,031

CRAFT ALLIANCE

Notes to Financial Statements (Continued)

6. DEBT (CONTINUED)

The following is a schedule of principal amounts due in future years:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 353,997
2015	229,061
2016	27,085
2017	28,188
2018	193,702
	<u>\$ 832,033</u>

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Operations - time restriction	\$ 30,000	\$ 45,000
Operations - purpose restriction	5,500	1,000
Scholarships - time and purpose restriction	4,800	4,843
Missouri Arts Council - time restriction	1,667	1,893
Gala - purpose restriction	600	600
Arts and Education Council - time restriction	-	37,000
Grand Center programs - purpose restriction	-	29,167
Regional Arts Commission - time restriction	-	36,944
Total	\$ 42,567	\$ 156,447

CRAFT ALLIANCE

Notes to Financial Statements (Continued)

7. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Net assets were released from donor-imposed restrictions on contributions as follows:

	Years Ended June 30,	
	2013	2012
Regional Arts Commission - time restriction	\$ 85,144	\$ 38,520
Arts and Education Council - time and purpose restriction	77,000	37,000
Grand Center programs - purpose restriction	29,167	128,453
Missouri Arts Council - time restriction	16,896	19,042
Operations - time restriction	15,000	15,000
Scholarships - time and purpose restriction	4,843	4,843
Operations - purpose restriction	2,000	5,750
Operations - time and purpose restriction	-	20,625
Uncollectible promises to give	-	5,300
Total	\$ 230,050	\$ 274,533



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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of
Craft Alliance
St. Louis, Missouri

We have audited the financial statements of **Craft Alliance** as of and for the years ended June 30, 2013 and 2012, and have issued our report thereon dated September 25, 2013, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kiefer Bonfanti & Co. LLP

St. Louis, Missouri
September 25, 2013

CRAFT ALLIANCE

**SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013**

	Program Services						Support Services				Total
	Delmar Education Center	Delmar Gallery Shop	Delmar Exhibition Gallery	Outreach	Grand Center Exhibition	Grand Center	Total Program Services	Mgmt and General	Fundraising		
								Development	Events		
Salaries and wages	\$ 209,264	\$ 87,671	\$ 59,432	\$ 75,950	\$ -	\$ 160,760	\$ 593,077	\$ 49,841	\$ 124,375	\$ -	\$ 767,293
Payroll taxes and benefits	20,828	10,036	4,916	5,439	-	11,685	52,904	23,691	11,823	-	88,418
Cost of goods sold	-	286,531	12,503	-	5,750	303	305,087	-	-	-	305,087
Professional services	-	-	-	-	-	-	-	13,300	1,250	-	14,550
Printing	8,521	1,022	8,700	-	2,624	4,260	25,127	-	5,593	-	30,720
Utilities	21,922	7,858	4,993	1,035	-	17,784	53,592	5,957	3,107	-	62,656
Class expenses and supplies	27,307	-	-	-	-	16,001	43,308	-	-	-	43,308
Postage and shipping	2,280	15,560	6,338	147	3,925	1,189	29,439	71	2,727	-	32,237
Interest	-	6,912	-	-	-	-	6,912	20,797	-	-	27,709
Advertising and hospitality	5,263	14,315	3,138	112	1,082	9,377	33,287	196	4,040	-	37,523
Curator	3,228	-	2,470	-	1,191	5,423	12,312	-	-	-	12,312
Processing fees	7,295	9,324	529	506	108	2,292	20,054	228	1,012	-	21,294
Scholarships	-	-	-	3,459	-	-	3,459	-	-	-	3,459
Programs, shows and special projects	12,709	-	-	21,671	-	7,084	41,464	-	1,269	8,248	50,981
Repairs and maintenance	9,631	2,776	2,862	751	1,767	6,908	24,695	1,839	3,057	-	29,591
Equipment rental	1,207	1,381	327	431	-	5,523	8,869	444	4,353	-	13,666
Insurance	5,335	3,003	2,873	1,138	1,237	5,631	19,217	4,636	331	-	24,184
Travel	611	1,736	52	359	195	9	2,962	55	122	-	3,139
Office supplies	1,040	5,301	600	183	-	877	8,001	1,250	1,497	-	10,748
Miscellaneous	-	926	55	-	-	11	992	2,285	-	-	3,277
Rent expense	-	-	-	-	-	22,479	22,479	-	-	-	22,479
Gala expense	-	-	-	-	-	-	-	-	-	70,110	70,110
Subtotal	336,441	454,352	109,788	111,181	17,879	277,596	1,307,237	124,590	164,556	78,358	1,674,741
Depreciation	4,440	1,332	1,332	444	-	65,749	73,297	2,402	-	-	75,699
Total	\$ 340,881	\$ 455,684	\$ 111,120	\$ 111,625	\$ 17,879	\$ 343,345	\$ 1,380,534	\$ 126,992	\$ 164,556	\$ 78,358	\$ 1,750,440

CRAFT ALLIANCE

**SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012**

	Program Services						Support Services				Total
	Delmar Education Center	Delmar Gallery Shop	Delmar Exhibition Gallery	Outreach	Grand Center Exhibition	Grand Center	Total Program Services	Mgmt and General	Fundraising		
								Development	Events		
Salaries and wages	\$ 184,738	\$ 80,403	\$ 45,421	\$ 65,965	\$ -	\$ 139,408	\$ 515,935	\$ 73,420	\$ 108,692	\$ -	\$ 698,047
Payroll taxes and benefits	20,988	9,550	4,282	5,330	-	9,883	50,033	22,652	7,212	-	79,897
Cost of goods sold	-	288,564	22,795	-	2,900	1,150	315,409	-	-	-	315,409
Professional services	-	-	-	-	-	-	-	13,875	3,750	-	17,625
Printing	7,900	1,081	5,962	-	3,982	4,450	23,375	-	5,725	-	29,100
Utilities	23,029	7,544	5,632	1,034	-	15,322	52,561	6,922	2,430	-	61,913
Class expenses and supplies	28,064	-	-	-	-	13,440	41,504	-	-	-	41,504
Postage and shipping	2,447	14,763	7,867	267	4,090	1,269	30,703	70	2,434	-	33,207
Interest	-	7,006	-	-	-	-	7,006	22,050	-	-	29,056
Advertising and hospitality	4,138	15,727	3,110	352	548	7,372	31,247	95	16,441	-	47,783
Curator	5,326	-	150	-	7,982	500	13,958	-	-	-	13,958
Processing fees	6,945	9,910	1,088	464	45	1,890	20,342	206	876	-	21,424
Scholarships	-	-	-	7,357	-	-	7,357	-	-	-	7,357
Programs, shows and special projects	10,730	-	-	17,126	-	7,720	35,576	-	-	12,562	48,138
Repairs and maintenance	8,139	5,168	4,777	700	860	5,533	25,177	1,667	2,161	-	29,005
Equipment rental	1,203	1,660	667	400	-	5,315	9,245	574	3,505	-	13,324
Insurance	5,283	3,301	3,176	1,125	555	5,605	19,045	4,325	318	-	23,688
Travel	150	1,651	52	630	51	45	2,579	101	36	-	2,716
Office supplies	942	5,712	525	268	-	813	8,260	979	1,531	-	10,770
Miscellaneous	-	1,248	66	-	-	-	1,314	49	-	-	1,363
Rent expense	-	-	-	-	-	22,473	22,473	-	-	-	22,473
Gala expense	-	-	-	-	-	-	-	-	-	90,475	90,475
Subtotal	310,022	453,288	105,570	101,018	21,013	242,188	1,233,099	146,985	155,111	103,037	1,638,232
Depreciation	7,067	1,719	1,719	573	-	64,298	75,376	1,719	-	-	77,095
Loss on sale of assets	-	-	-	-	-	600	600	-	-	-	600
Uncollectible promises to give	-	-	-	-	-	1,750	1,750	-	3,550	-	5,300
Total	\$ 317,089	\$ 455,007	\$ 107,289	\$ 101,591	\$ 21,013	\$ 308,836	\$ 1,310,825	\$ 148,704	\$ 158,661	\$ 103,037	\$ 1,721,227