
CRAFT ALLIANCE
FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

CRAFT ALLIANCE
JUNE 30, 2014 AND 2013

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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, 2014 and 2013, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2014 and 2013, 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.

Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 8 to the financial statements, the Organization has experienced recurring decreases in net assets from activities, resulting in deficits in total net assets at June 30, 2014 and 2013. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Kiefer Bonfanti & Co. LLP

St. Louis, Missouri
October 8, 2014

CRAFT ALLIANCE

STATEMENTS OF FINANCIAL POSITION

	Assets	
	June 30,	
	2014	2013
Current Assets		
Cash and cash equivalents	\$ 34,936	\$ 28,956
Accounts receivable	5,215	10,343
Promises to give	100,147	103,512
Inventory	89,975	89,552
Prepaid expenses	25,263	29,033
Total Current Assets	255,536	261,396
Property and Equipment, Net	471,863	503,861
Promises to Give, Long-term	9,675	19,036
Assets Restricted for Endowment	22,125	22,125
Total Assets	\$ 759,199	\$ 806,418

Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 371,499	\$ 353,997
Accounts payable	39,797	27,249
Deferred revenue	126,907	104,723
Total Current Liabilities	538,203	485,969
Other Liabilities		
Long-term debt	441,453	478,036
Total Liabilities	979,656	964,005
Net Assets (Deficit)		
Unrestricted	(278,914)	(222,279)
Temporarily restricted	36,332	42,567
Permanently restricted	22,125	22,125
Total Net Deficit	(220,457)	(157,587)
Total Liabilities and Net Deficit	\$ 759,199	\$ 806,418

CRAFT ALLIANCE

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Tuition, net of discounts of \$40,011	\$ 393,739	\$ -	\$ -	\$ 393,739
Contracts and special programs	31,202	-	-	31,202
Gallery shop, net of discounts of \$65,397	535,905	-	-	535,905
Exhibition gallery, net of discounts of \$13,897	89,096	-	-	89,096
Miscellaneous income	12,117	-	-	12,117
Total Revenue	1,062,059	-	-	1,062,059
Public Support				
Individual	333,188	6,250	-	339,438
Corporate	56,500	-	-	56,500
Foundation	33,439	20,200	-	53,639
Grants	13,875	105,534	-	119,409
Fundraising events	137,394	125	-	137,519
Total Public Support	574,396	132,109	-	706,505
Net Assets Released from Restrictions	138,344	(138,344)	-	-
Total Revenue and Support	1,774,799	(6,235)	-	1,768,564
Expenses				
Program services				
Delmar Education Center	339,337	-	-	339,337
Delmar Gallery Shop	477,073	-	-	477,073
Delmar Exhibition Gallery	137,500	-	-	137,500
Outreach	123,432	-	-	123,432
Grand Center Outreach	25,837	-	-	25,837
Grand Center	296,966	-	-	296,966
Total Program Services	1,400,145	-	-	1,400,145
Support services				
Management and general	116,937	-	-	116,937
Development	172,360	-	-	172,360
Fundraising events	93,349	-	-	93,349
Total Support Services	382,646	-	-	382,646
Total Expenses Before Depreciation	1,782,791	-	-	1,782,791
Decrease in Net Assets Before Depreciation	(7,992)	(6,235)	-	(14,227)
Depreciation	(48,643)	-	-	(48,643)
Total Decrease in Net Assets	(56,635)	(6,235)	-	(62,870)
Net Assets (Deficit), Beginning of Year	(222,279)	42,567	22,125	(157,587)
Net Assets (Deficit), End of Year	\$ (278,914)	\$ 36,332	\$ 22,125	\$ (220,457)

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				
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

STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2014	2013
Cash Flows from Operating Activities		
Decrease in net assets	\$ (62,870)	\$ (186,274)
Adjustments:		
Depreciation and amortization	48,643	75,699
Change in assets and liabilities		
(Increase) decrease in operating assets		
Accounts receivable	5,128	4,322
Promises to give	12,726	27,148
Inventory	(423)	(2,316)
Prepaid expenses	3,770	800
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	12,548	968
Deferred revenue	22,184	(12,932)
Net Cash Provided (Used) by Operating Activities	41,706	(92,585)
Cash Flows from Investing Activities		
Purchase of property and equipment	(16,645)	(30,064)
Net Cash Used by Investing Activities	(16,645)	(30,064)
Cash Flows from Financing Activities		
Proceeds from notes payable	-	300,000
Payments on notes payable	(34,081)	(407,175)
Net proceeds on lines of credit	15,000	210,000
Net Cash Provided (Used) by Financing Activities	(19,081)	102,825
Net Increase (Decrease) in Cash and Cash Equivalents	5,980	(19,824)
Cash and cash equivalents, beginning of year	28,956	48,780
Cash and Cash Equivalents, End of Year	\$ 34,936	\$ 28,956
 Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 39,209	\$ 27,709

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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 \$278,914 and \$222,279 at June 30, 2014 and 2013, 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 \$33,396 and \$37,523 for the years ended June 30, 2014 and 2013, 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, 2014 and 2013, 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 October 8, 2014, 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, 2014 and 2013, 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 support services 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 Organization's federal, state, and local information returns for years ended June 30, 2011 and later remain subject to examination by taxing authorities. As of June 30, 2014, no returns have been selected for examination.

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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, 2014.

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, 2014 and 2013 consist of the following:

	June 30,	
	2014	2013
Promises due in less than one year	\$ 100,147	\$ 103,512
Promises due in one to three years	10,000	20,000
	<u>110,147</u>	<u>123,512</u>
Less discount	(325)	(964)
Total Promises to Give at Present Value	\$ 109,822	\$ 122,548

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2014	2013
Land	\$ 35,462	\$ 35,462
Delmar building and improvements	790,419	784,615
Delmar equipment, furniture, and fixtures	333,932	325,770
Grand Center lease improvements	432,398	432,398
Grand Center equipment	209,109	206,430
Property and equipment at cost	<u>1,801,320</u>	<u>1,784,675</u>
Less accumulated depreciation	(1,329,457)	(1,280,814)
Property and Equipment, Net	\$ 471,863	\$ 503,861

Depreciation expense was \$48,643 and \$75,699 for the years ended June 30, 2014 and 2013, 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.

Future estimated lease payments are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2015	\$ 20,550
2016	10,275
	<u>\$ 30,825</u>

Rental expense for the years ended June 30, 2014 and 2013 was \$21,053 and \$22,479, respectively.

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

<u>Years Ending June 30,</u>	<u>Amount</u>
2015	\$ 4,812
2016	4,812
2017	4,812
2018	1,225
	<u>\$ 15,661</u>

CRAFT ALLIANCE

Notes to Financial Statements (Continued)

6. DEBT

	June 30,	
	2014	2013
Note payable to bank dated July 2014, with fixed interest rate at 5.0%. 35 monthly payments of principal and interest of \$1,683. Balloon payment of \$170,721 due July 2017. Secured by real estate (Delmar Building) and all other corporate assets.	\$ 201,246	\$ 210,907
Operating line-of-credit for \$400,000 dated January 2014, with interest at 0.50% plus the bank's index rate (3.25% at January 2014). Required monthly payments equal to the interest accrued on the outstanding balance. Balance and all unpaid accrued interest due on January 2015. Secured by a second deed of trust on real estate (Delmar Building) and all other corporate assets.	335,000	320,000
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.	275,580	300,000
Loan payable to Grand Center dated November 2007. The loan was refinanced through a bank in May 2013, the remaining balance will be paid off during 2015.	1,126	1,126
Total Debt	812,952	832,033
Less current portion	(371,499)	(353,997)
Total Debt, Net of Current Portion	\$ 441,453	\$ 478,036

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

Year Ending June 30,	Amount
2015	\$ 371,499
2016	36,924
2017	35,660
2018	368,869
	\$ 812,952

Subsequent to year end, the Organization entered into a debt agreement with the St. Louis Regional & Cultural Performing Arts Development Commission. The note is for \$70,000 and bears a fixed interest rate of 1.0%. Principal and interest are due January 31, 2015.

CRAFT ALLIANCE

Notes to Financial Statements (Continued)

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes:

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
Operations - time restriction	\$ 20,000	\$ 30,000
Operations - purpose restriction	1,250	5,500
Scholarships - time and purpose restriction	11,930	4,800
Missouri Arts Council - time restriction	2,427	1,667
Gala - purpose restriction	725	600
Total	\$ 36,332	\$ 42,567

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

	<u>Years Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Regional Arts Commission - time restriction	\$ 48,200	\$ 85,144
Arts and Education Council - time and purpose restriction	40,000	77,000
Grand Center programs - purpose restriction	-	29,167
Missouri Arts Council - time restriction	16,574	16,896
Operations - time restriction	10,000	15,000
Scholarships - time and purpose restriction	13,070	4,843
Operations - purpose restriction	10,500	2,000
Total	\$ 138,344	\$ 230,050

8. GOING CONCERN

As shown on the Statements of Activities, the Organization experienced decreases in net assets for the years ended June 30, 2014 and 2013 of \$62,870 and \$186,274, respectively. The Organization currently has total liabilities in excess of total assets resulting in a net asset deficit of \$220,457, at June 30, 2014.

8. GOING CONCERN (CONTINUED)

Management is confident that the Organization has the resources needed to continue its operations for the foreseeable future. Subsequent to June 30, 2014 management has significantly reduced expenses through a reduction and realignment of staff and by eliminating exhibition expenses in the Grand Center facility. The Organization has also received two new multi-year pledges that are expected to significantly increase contributed revenue annually over the next four years. The Board is resolved to reduce expenses to ensure a positive outcome in the 2015 fiscal year and beyond. Management has also hired a new Director of Development, and is optimistic about increasing contributed revenues as well as operating revenues at their Grand Center and Delmar locations in future years. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.



**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, 2014 and 2013, and have issued our report thereon dated October 8, 2014, 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
October 8, 2014

CRAFT ALLIANCE

**SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014**

	Program Services						Support Services				
	Delmar Education Center	Delmar Gallery Shop	Delmar Exhibition Gallery	Grand Center Exhibition Outreach	Grand Center Exhibition	Total Program Services	Mgmt and General	Fundraising		Total	
							Development	Events			
Salaries and wages	\$ 212,542	\$ 99,020	\$ 57,612	\$ 77,991	\$ -	\$ 160,980	\$ 47,863	\$ 130,740	\$ -	\$ 786,748	
Payroll taxes and benefits	21,930	10,155	4,877	6,707	-	13,278	24,436	11,621	-	93,004	
Cost of goods sold	-	296,275	46,334	-	4,196	155	-	-	-	346,960	
Professional services	-	-	-	-	-	-	12,000	3,125	-	15,125	
Printing	9,177	1,069	4,984	227	4,655	4,714	-	4,766	-	29,592	
Utilities	21,981	7,810	5,657	851	-	17,713	5,936	2,810	-	62,758	
Class expenses and supplies	25,898	-	-	-	-	19,307	-	-	-	45,205	
Postage and shipping	2,797	15,922	6,395	447	8,852	1,659	55	2,854	-	38,981	
Interest	-	7,907	-	-	-	12,131	19,171	-	-	39,209	
Advertising and hospitality	4,154	14,184	2,838	154	2,009	4,018	112	5,927	-	33,396	
Curator	4,220	-	-	-	3,134	6,447	-	-	-	13,801	
Processing fees	7,424	9,730	1,391	519	136	2,198	226	1,381	-	23,005	
Scholarships	-	-	-	17,597	-	-	-	-	-	17,597	
Programs, shows and special projects	11,704	-	-	16,132	-	12,684	-	-	5,000	45,520	
Repairs and maintenance	7,278	2,274	2,918	342	965	8,943	916	395	-	24,031	
Equipment rental	1,847	1,850	641	756	-	4,468	480	7,333	-	17,375	
Insurance	5,629	3,067	2,929	1,201	1,607	5,935	5,038	351	-	25,757	
Travel	1,733	2,163	239	338	283	49	-	59	-	4,864	
Office supplies	1,023	4,959	631	170	-	1,234	704	998	-	9,719	
Miscellaneous	-	688	54	-	-	-	-	-	-	742	
Rent expense	-	-	-	-	-	21,053	-	-	-	21,053	
Gala expense	-	-	-	-	-	-	-	-	88,349	88,349	
Subtotal	339,337	477,073	137,500	123,432	25,837	296,966	116,937	172,360	93,349	1,782,791	
Depreciation	5,926	1,778	1,778	593	-	36,791	1,778	-	-	48,643	
Total	\$ 345,263	\$ 478,851	\$ 139,278	\$ 124,025	\$ 25,837	\$ 333,757	\$ 1,447,010	\$ 118,715	\$ 172,360	\$ 93,349	\$ 1,831,434

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