

---

---

**CRAFT ALLIANCE**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

---

---

---

---

**CRAFT ALLIANCE**  
**JUNE 30, 2015 AND 2014**

---

---

<b>Table of Contents</b>	<b>Page</b>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	6
Notes to Financial Statements	7
<b>Supplementary Information</b>	
Independent Auditors' Report on Supplementary Information	17
Schedules of Functional Expenses	18



---

## 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, 2015 and 2014, 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, 2015 and 2014, 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 24, 2015

**CRAFT ALLIANCE**

**STATEMENTS OF FINANCIAL POSITION**

	<b>Assets</b>	
	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 13,614	\$ 34,936
Accounts receivable	6,277	5,215
Promises to give	145,363	100,147
Inventory	92,867	89,975
Prepaid expenses	14,677	25,263
<b>Total Current Assets</b>	<b>272,798</b>	<b>255,536</b>
<b>Property and Equipment, Net</b>	<b>437,059</b>	<b>471,863</b>
<b>Promises to Give, Long-term</b>	<b>112,357</b>	<b>9,675</b>
<b>Assets Restricted for Endowment</b>	<b>22,125</b>	<b>22,125</b>
<b>Total Assets</b>	<b>\$ 844,339</b>	<b>\$ 759,199</b>

<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 308,822	\$ 371,499
Accounts payable	34,035	39,797
Deferred revenue	135,853	126,907
<b>Total Current Liabilities</b>	<b>478,710</b>	<b>538,203</b>
<b>Other Liabilities</b>		
Long-term debt	415,826	441,453
<b>Total Liabilities</b>	<b>894,536</b>	<b>979,656</b>
<b>Net Assets (Deficit)</b>		
Unrestricted	(251,395)	(262,975)
Temporarily restricted	179,073	20,393
Permanently restricted	22,125	22,125
<b>Total Net Deficit</b>	<b>(50,197)</b>	<b>(220,457)</b>
<b>Total Liabilities and Net Deficit</b>	<b>\$ 844,339</b>	<b>\$ 759,199</b>

**CRAFT ALLIANCE**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue</b>				
Tuition, net of discounts of \$40,011	\$ 419,896	\$ -	\$ -	\$ 419,896
Contracts and special programs	31,676	-	-	31,676
Gallery shop, net of discounts of \$65,397	558,314	-	-	558,314
Exhibition gallery, net of discounts of \$13,897	26,480	-	-	26,480
Miscellaneous income	11,373	-	-	11,373
<b>Total Revenue</b>	<b>1,047,739</b>	<b>-</b>	<b>-</b>	<b>1,047,739</b>
<b>Public Support</b>				
Individual	226,970	6,975	-	233,945
Corporate	49,061	215,939	-	265,000
Foundation	207,182	-	-	207,182
Grants	2,148	102,172	-	104,320
Fundraising events	133,436	-	-	133,436
<b>Total Public Support</b>	<b>618,797</b>	<b>325,086</b>	<b>-</b>	<b>943,883</b>
<b>Net Assets Released from Restrictions</b>	<b>166,406</b>	<b>(166,406)</b>	<b>-</b>	<b>-</b>
<b>Total Revenue and Support</b>	<b>1,832,942</b>	<b>158,680</b>	<b>-</b>	<b>1,991,622</b>
<b>Expenses</b>				
Program services				
Delmar Education Center	346,188	-	-	346,188
Delmar Gallery Shop	496,822	-	-	496,822
Delmar Exhibition Gallery	87,076	-	-	87,076
Outreach	149,974	-	-	149,974
Grand Center Outreach	3,146	-	-	3,146
Grand Center	279,221	-	-	279,221
<b>Total Program Services</b>	<b>1,362,427</b>	<b>-</b>	<b>-</b>	<b>1,362,427</b>
Support services				
Management and general	124,675	-	-	124,675
Development	213,654	-	-	213,654
Fundraising events	72,978	-	-	72,978
<b>Total Support Services</b>	<b>411,307</b>	<b>-</b>	<b>-</b>	<b>411,307</b>
<b>Total Expenses Before Depreciation</b>	<b>1,773,734</b>	<b>-</b>	<b>-</b>	<b>1,773,734</b>
<b>Decrease in Net Assets Before Depreciation</b>	<b>59,208</b>	<b>158,680</b>	<b>-</b>	<b>217,888</b>
<b>Depreciation</b>	<b>(47,628)</b>	<b>-</b>	<b>-</b>	<b>(47,628)</b>
<b>Total Increase in Net Assets</b>	<b>11,580</b>	<b>158,680</b>	<b>-</b>	<b>170,260</b>
<b>Net Assets (Deficit), Beginning of Year</b>	<b>(262,975)</b>	<b>20,393</b>	<b>22,125</b>	<b>(220,457)</b>
<b>Net Assets (Deficit), End of Year</b>	<b>\$ (251,395)</b>	<b>\$ 179,073</b>	<b>\$ 22,125</b>	<b>\$ (50,197)</b>

**CRAFT ALLIANCE**

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue</b>				
Tuition, net of discounts of \$74,911	\$ 393,739	\$ -	\$ -	\$ 393,739
Contracts and special programs	31,202	-	-	31,202
Gallery shop, net of discounts of \$58,671	535,905	-	-	535,905
Exhibition gallery, net of discounts of \$6,864	89,096	-	-	89,096
Miscellaneous income	12,117	-	-	12,117
<b>Total Revenue</b>	<b>1,062,059</b>	<b>-</b>	<b>-</b>	<b>1,062,059</b>
<b>Public Support</b>				
Individual	332,938	6,500	-	339,438
Corporate	56,500	-	-	56,500
Foundation	48,839	4,800	-	53,639
Grants	14,539	104,870	-	119,409
Fundraising events	137,519	-	-	137,519
<b>Total Public Support</b>	<b>590,335</b>	<b>116,170</b>	<b>-</b>	<b>706,505</b>
<b>Net Assets Released from Restrictions</b>	<b>138,344</b>	<b>(138,344)</b>	<b>-</b>	<b>-</b>
<b>Total Revenue and Support</b>	<b>1,790,738</b>	<b>(22,174)</b>	<b>-</b>	<b>1,768,564</b>
<b>Expenses</b>				
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
<b>Total Program Services</b>	<b>1,400,145</b>	<b>-</b>	<b>-</b>	<b>1,400,145</b>
Support services				
Management and general	116,937	-	-	116,937
Development	172,360	-	-	172,360
Fundraising events	93,349	-	-	93,349
<b>Total Support Services</b>	<b>382,646</b>	<b>-</b>	<b>-</b>	<b>382,646</b>
<b>Total Expenses Before Depreciation</b>	<b>1,782,791</b>	<b>-</b>	<b>-</b>	<b>1,782,791</b>
<b>Increase (Decrease) in Net Assets Before Depreciation</b>				
<b>Depreciation</b>	<b>7,947</b>	<b>(22,174)</b>	<b>-</b>	<b>(14,227)</b>
<b>Depreciation</b>	<b>(48,643)</b>	<b>-</b>	<b>-</b>	<b>(48,643)</b>
<b>Total Decrease in Net Assets</b>	<b>(40,696)</b>	<b>(22,174)</b>	<b>-</b>	<b>(62,870)</b>
<b>Net Assets (Deficit), Beginning of Year</b>	<b>(222,279)</b>	<b>42,567</b>	<b>22,125</b>	<b>(157,587)</b>
<b>Net Assets (Deficit), End of Year</b>	<b>\$ (262,975)</b>	<b>\$ 20,393</b>	<b>\$ 22,125</b>	<b>\$ (220,457)</b>

**CRAFT ALLIANCE**

**STATEMENTS OF CASH FLOWS**

	<b>Years Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities</b>		
Increase (Decrease) in net assets	<b>\$ 170,260</b>	\$ (62,870)
Adjustments:		
Depreciation and amortization	<b>47,628</b>	48,643
Change in assets and liabilities		
(Increase) decrease in operating assets		
Accounts receivable	<b>(1,062)</b>	5,128
Promises to give	<b>(147,898)</b>	12,726
Inventory	<b>(2,892)</b>	(423)
Prepaid expenses	<b>10,586</b>	3,770
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	<b>(5,762)</b>	12,548
Deferred revenue	<b>8,946</b>	22,184
<b>Net Cash Provided by Operating Activities</b>	<b>79,806</b>	41,706
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	<b>(12,823)</b>	(16,645)
<b>Net Cash Used by Investing Activities</b>	<b>(12,823)</b>	(16,645)
<b>Cash Flows from Financing Activities</b>		
Payments on notes payable	<b>(6,838)</b>	(34,081)
Net proceeds on lines of credit	<b>(81,467)</b>	15,000
<b>Net Cash Used by Financing Activities</b>	<b>(88,305)</b>	(19,081)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(21,322)</b>	5,980
Cash and cash equivalents, beginning of year	<b>34,936</b>	28,956
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 13,614</b>	\$ 34,936
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<b>\$ 40,141</b>	\$ 27,709

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

***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. The Organization has two facilities - one in the Delmar Loop and one in Grand Center. 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 internationally, nationally and regionally established and emerging artists. The Organization offers year round classes in craft techniques to more than 4,000 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 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 two major components: community programming and educational programming that includes studio classes and an artist residency program.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Method of Accounting***

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

***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.

## Notes to Financial Statements (Continued)

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

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 \$211,814 and \$278,914 at June 30, 2015 and 2014, 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 \$46,664 and \$33,396 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014, 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 24, 2015, 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, 2015 and 2014, 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 exhibition gallery features the work of leading regional and national artists working in contemporary craft and presents an exhibition series each year.

**Gallery Shop**

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

**Community Programs**

The Organization's community 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 two major components: Community and tuition-based classes that teach craft techniques; and an artist residency program that provides three artists with studio space for six to twelve months. Through these programs, the Organization reaches new urban audiences, expands its community programs, forms new partnerships in the Grand Center area, and provides the St. Louis community with greater access to contemporary craft.

**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, public grant makers, 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, 2012 and later remain subject to examination by taxing authorities. As of June 30, 2015, 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, 2015.

#### 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, 2015 and 2014 consist of the following:

	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
Promises due in less than one year	\$ 145,363	\$ 100,147
Promises due in one to three years	120,000	10,000
	<b>265,363</b>	110,147
Less discount	<b>(7,643)</b>	(325)
<b>Total Promises to Give at Present Value</b>	<b>\$ 257,720</b>	<b>\$ 109,822</b>

#### 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
Land	\$ 35,462	\$ 35,462
Delmar building and improvements	790,419	790,419
Delmar equipment, furniture, and fixtures	337,406	333,932
Grand Center lease improvements	434,818	432,398
Grand Center equipment	216,039	209,109
Property and equipment at cost	<b>1,814,144</b>	1,801,320
Less accumulated depreciation	<b>(1,377,085)</b>	(1,329,457)
<b>Property and Equipment, Net</b>	<b>\$ 437,059</b>	<b>\$ 471,863</b>

Depreciation expense was \$47,628 and \$48,643 for the years ended June 30, 2015 and 2014, 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:

<b>Period</b>	<b>Use Fee</b>
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 \$10,275 for the year ending June 30, 2016.

Rental expense for the years ended June 30, 2015 and 2014 was \$21,374 and \$21,053, respectively.

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

<b>Years Ending June 30,</b>	<b>Amount</b>
2016	\$ 4,812
2017	4,812
2018	1,225
	<u>\$ 10,849</u>

**CRAFT ALLIANCE**

Notes to Financial Statements (Continued)

**6. DEBT**

	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
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.	<b>\$ 191,971</b>	\$ 201,246
Operating line-of-credit of \$400,000 dated January 2015, with interest at 0.50% plus the bank's index rate (3.25% at January 2015). Required monthly payments equal to the interest accrued on the outstanding balance. Balance and all unpaid accrued interest due on January 2016. Secured by a second deed of trust on real estate (Delmar Building) and all other corporate assets.	<b>253,533</b>	335,000
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.	<b>249,738</b>	275,580
Note payable to an individual dated March 2015, with fixed interest rate at 5.0%. 24 monthly payments of principal and interest of \$1,536, the remaining balance will be paid off during 2017.	<b>29,406</b>	-
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
<b>Total Debt</b>	<b>724,648</b>	812,952
Less current portion	<b>(308,822)</b>	(371,499)
<b>Total Debt, Net of Current Portion</b>	<b>\$ 415,826</b>	\$ 441,453

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

<b>Year Ending June 30,</b>	<b>Amount</b>
2016	\$ 308,822
2017	50,728
2018	365,098
	<b>\$ 724,648</b>

---

**CRAFT ALLIANCE**

---

## Notes to Financial Statements (Continued)

**7. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available for the following purposes:

	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
Operations - time restriction	<b>\$ 170,000</b>	\$ 30,000
Operations - purpose restriction	-	1,250
Scholarships - time and purpose restriction	-	11,930
Missouri Arts Council - time restriction	<b>1,498</b>	2,427
Gala - purpose restriction	<b>7,575</b>	725
<b>Total</b>	<b>\$ 179,073</b>	<b>\$ 46,332</b>

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

	<b>Years Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Regional Arts Commission - time restriction	<b>\$ 48,200</b>	\$ 48,200
Arts and Education Council - time and purpose restriction	<b>39,000</b>	40,000
Missouri Arts Council - time restriction	<b>15,901</b>	16,574
Operations - time restriction	<b>50,000</b>	10,000
Scholarships - time and purpose restriction	<b>11,930</b>	13,070
Operations - purpose restriction	<b>1,375</b>	10,500
<b>Total</b>	<b>\$ 166,406</b>	<b>\$ 138,344</b>

**8. GOING CONCERN**

The Organization currently has total liabilities in excess of total assets resulting in a net asset deficit of \$49,296, at June 30, 2015. Management is confident that the Organization has the resources needed to continue its operations for the foreseeable future. During 2015 management significantly reduced expenses through a reduction and realignment of staff and by eliminating exhibition expenses in the Grand Center facility. The Board is resolved to maintain expense reductions achieved in 2015 to ensure a positive outcome in the 2016 fiscal year. In addition to two multi-year grants received in fiscal year 2015 that is expected to significantly increase contributed revenue in 2016, 2017 and 2018, the organization received three large grants from new funders that enabled Craft Alliance to reduce its debt in 2015. Management is optimistic about receiving renewed support from the aforementioned new funders in 2016 and about increasing contributed and operating revenues at their Delmar and Grand Center locations in future years.



---

**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, 2015 and 2014, and have issued our report thereon dated September 24, 2015, 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 24, 2015

**CRAFT ALLIANCE**

**SCHEDULE OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2015**

	Program Services						Support Services				Total
	Delmar Education Center	Delmar Gallery Shop	Delmar Exhibition Gallery	Grand Center Exhibition Outreach	Grand Center Exhibition	Total Program Services	Mgmt and General	Fundraising			
							Development	Events			
Salaries and wages	\$ 212,069	\$ 99,477	\$ 46,959	\$ 67,883	\$ -	\$ 154,379	\$ 580,767	\$ 48,367	\$ 162,273	\$ -	\$ 791,407
Payroll taxes and benefits	21,973	11,676	3,528	7,236	-	11,837	56,251	24,588	14,419	-	95,258
Cost of goods sold	-	306,798	10,613	-	2,325	2,703	322,438	-	-	-	322,438
Professional services	-	-	-	-	-	-	-	13,700	3,000	-	16,700
Printing	8,950	1,253	2,515	-	-	4,573	17,291	-	3,762	-	21,053
Utilities	23,737	8,273	5,474	927	-	19,561	57,972	6,484	4,090	-	68,546
Class expenses and supplies	30,735	-	-	-	-	12,031	42,766	-	-	-	42,766
Postage and shipping	2,822	17,603	5,214	90	79	1,460	27,268	81	3,354	-	30,703
Interest	-	8,445	-	-	-	10,709	19,153	20,988	-	-	40,141
Advertising and hospitality	7,548	16,867	3,949	426	325	9,339	38,454	274	7,936	-	46,664
Curator	4,098	-	1,000	-	-	1,812	6,910	-	-	-	6,910
Processing fees	7,080	10,045	449	526	16	2,424	20,541	235	2,892	-	23,668
Scholarships	-	-	-	33,447	-	-	33,447	-	-	-	33,447
Programs, shows and special projects	10,647	-	-	36,544	-	9,801	56,992	-	-	-	56,992
Repairs and maintenance	6,315	2,587	2,434	396	19	6,003	17,754	936	364	-	19,054
Equipment rental	2,178	2,248	1,144	632	-	2,861	9,063	844	9,418	-	19,325
Insurance	6,201	3,314	3,166	1,322	354	6,556	20,913	5,712	381	-	27,006
Travel	966	2,320	89	280	28	482	4,164	25	333	-	4,522
Office supplies	869	4,913	492	265	-	1,316	7,854	919	1,432	-	10,205
Miscellaneous	-	1,003	50	-	-	-	1,053	1,522	-	-	2,575
Rent expense	-	-	-	-	-	21,374	21,374	-	-	-	21,374
Gala expense	-	-	-	-	-	-	-	-	-	72,978	72,978
Subtotal	346,188	496,822	87,076	149,974	3,146	279,221	1,362,427	124,675	213,654	72,978	1,773,732
Depreciation	7,274	1,837	1,737	579	-	34,364	45,791	1,837	-	-	47,628
<b>Total</b>	<b>\$ 353,462</b>	<b>\$ 498,659</b>	<b>\$ 88,813</b>	<b>\$ 150,553</b>	<b>\$ 3,146</b>	<b>\$ 313,585</b>	<b>\$ 1,408,218</b>	<b>\$ 126,512</b>	<b>\$ 213,654</b>	<b>\$ 72,978</b>	<b>\$ 1,821,360</b>

**CRAFT ALLIANCE**

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

	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	\$ 212,542	\$ 99,020	\$ 57,612	\$ 77,991	\$ -	\$ 160,980	\$ 608,145	\$ 47,863	\$ 130,740	\$ -	\$ 786,748
Payroll taxes and benefits	21,930	10,155	4,877	6,707	-	13,278	56,947	24,436	11,621	-	93,004
Cost of goods sold	-	296,275	46,334	-	4,196	155	346,960	-	-	-	346,960
Professional services	-	-	-	-	-	-	-	12,000	3,125	-	15,125
Printing	9,177	1,069	4,984	227	4,655	4,714	24,826	-	4,766	-	29,592
Utilities	21,981	7,810	5,657	851	-	17,713	54,012	5,936	2,810	-	62,758
Class expenses and supplies	25,898	-	-	-	-	19,307	45,205	-	-	-	45,205
Postage and shipping	2,797	15,922	6,395	447	8,852	1,659	36,072	55	2,854	-	38,981
Interest	-	7,907	-	-	-	12,131	20,038	19,171	-	-	39,209
Advertising and hospitality	4,154	14,184	2,838	154	2,009	4,018	27,357	112	5,927	-	33,396
Curator	4,220	-	-	-	3,134	6,447	13,801	-	-	-	13,801
Processing fees	7,424	9,730	1,391	519	136	2,198	21,398	226	1,381	-	23,005
Scholarships	-	-	-	17,597	-	-	17,597	-	-	-	17,597
Programs, shows and special projects	11,704	-	-	16,132	-	12,684	40,520	-	-	5,000	45,520
Repairs and maintenance	7,278	2,274	2,918	342	965	8,943	22,720	916	395	-	24,031
Equipment rental	1,847	1,850	641	756	-	4,468	9,562	480	7,333	-	17,375
Insurance	5,629	3,067	2,929	1,201	1,607	5,935	20,368	5,038	351	-	25,757
Travel	1,733	2,163	239	338	283	49	4,805	-	59	-	4,864
Office supplies	1,023	4,959	631	170	-	1,234	8,017	704	998	-	9,719
Miscellaneous	-	688	54	-	-	-	742	-	-	-	742
Rent expense	-	-	-	-	-	21,053	21,053	-	-	-	21,053
Gala expense	-	-	-	-	-	-	-	-	-	88,349	88,349
Subtotal	339,337	477,073	137,500	123,432	25,837	296,966	1,400,145	116,937	172,360	93,349	1,782,791
Depreciation	5,926	1,778	1,778	593	-	36,790	46,865	1,778	-	-	48,643
<b>Total</b>	<b>\$ 345,263</b>	<b>\$ 478,851</b>	<b>\$ 139,278</b>	<b>\$ 124,025</b>	<b>\$ 25,837</b>	<b>\$ 333,756</b>	<b>\$ 1,447,010</b>	<b>\$ 118,715</b>	<b>\$ 172,360</b>	<b>\$ 93,349</b>	<b>\$ 1,831,434</b>