
CRAFT ALLIANCE
FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

CRAFT ALLIANCE
JUNE 30, 2016 AND 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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.

Emphasis of Matter Regarding 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 suffered recurring losses from operations and has a net asset deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also 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
September 22, 2016

CRAFT ALLIANCE

STATEMENTS OF FINANCIAL POSITION

	Assets	
	June 30,	
	2016	2015
Current Assets		
Cash and cash equivalents	\$ 3,706	\$ 13,614
Accounts receivable	1,151	6,277
Promises to give	100,276	145,363
Inventory	87,182	92,867
Prepaid expenses	15,049	14,677
Total Current Assets	207,364	272,798
Property and Equipment, Net	413,513	437,059
Promises to Give, Long-term	116,142	112,357
Assets Restricted for Endowment	22,125	22,125
Total Assets	\$ 759,144	\$ 844,339

Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 468,710	\$ 308,822
Accounts payable	42,026	34,035
Deferred revenue	98,608	135,853
Total Current Liabilities	609,344	478,710
Other Liabilities		
Long-term debt	372,354	415,826
Total Liabilities	981,698	894,536
Net Assets (Deficit)		
Unrestricted	(368,360)	(251,395)
Temporarily restricted	123,681	179,073
Permanently restricted	22,125	22,125
Total Net Deficit	(222,554)	(50,197)
Total Liabilities and Net Deficit	\$ 759,144	\$ 844,339

CRAFT ALLIANCE

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Tuition, net of discounts of \$37,657	\$ 400,617	\$ -	\$ -	\$ 400,617
Contracts and special programs	33,201	-	-	33,201
Gallery shop, net of discounts of \$63,869	513,223	-	-	513,223
Exhibition gallery, net of discounts of \$6,637	45,316	-	-	45,316
Miscellaneous income	8,539	-	-	8,539
Total Revenue	1,000,896	-	-	1,000,896
Public Support				
Individual	209,247	1,000	-	210,247
Corporate	123,377	-	-	123,377
Foundation	108,285	-	-	108,285
Grants	479	90,703	-	91,182
Fundraising events	125,475	-	-	125,475
Total Public Support	566,863	91,703	-	658,566
Net Assets Released from Restrictions	147,095	(147,095)	-	-
Total Revenue and Support	1,714,854	(55,392)	-	1,659,462
Expenses				
Program services				
Delmar Education Center	379,929	-	-	379,929
Delmar Gallery Shop	486,239	-	-	486,239
Delmar Exhibition Gallery	122,671	-	-	122,671
Outreach	110,561	-	-	110,561
Grand Center	259,652	-	-	259,652
Total Program Services	1,359,053	-	-	1,359,053
Support services				
Management and general	131,632	-	-	131,632
Development	224,995	-	-	224,995
Fundraising events	56,354	-	-	56,354
Total Support Services	412,982	-	-	412,982
Total Expenses Before Depreciation	1,772,034	-	-	1,772,034
Decrease in Net Assets Before Depreciation	(57,180)	(55,392)	-	(112,572)
Depreciation	(48,584)	-	-	(48,584)
In-Kind Expense	(11,200)	-	-	(11,200)
Total Decrease in Net Assets	(116,965)	(55,392)	-	(172,357)
Net Assets (Deficit), Beginning of Year	(251,395)	179,073	22,125	(50,197)
Net Assets (Deficit), End of Year	\$ (368,360)	\$ 123,681	\$ 22,125	\$ (222,554)

CRAFT ALLIANCE

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
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
Total Revenue	1,047,739	-	-	1,047,739
Public Support				
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
Total Public Support	618,797	325,086	-	943,883
Net Assets Released from Restrictions	166,406	(166,406)	-	-
Total Revenue and Support	1,832,942	158,680	-	1,991,622
Expenses				
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
Total Program Services	1,362,427	-	-	1,362,427
Support services				
Management and general	124,675	-	-	124,675
Development	213,654	-	-	213,654
Fundraising events	72,978	-	-	72,978
Total Support Services	411,307	-	-	411,307
Total Expenses Before Depreciation	1,773,734	-	-	1,773,734
Increase in Net Assets Before Depreciation	59,208	158,680	-	217,888
Depreciation	(47,628)	-	-	(47,628)
Total Increase in Net Assets	11,580	158,680	-	170,260
Net Assets (Deficit), Beginning of Year	(262,975)	20,393	22,125	(220,457)
Net Assets (Deficit), End of Year	\$ (251,395)	\$ 179,073	\$ 22,125	\$ (50,197)

CRAFT ALLIANCE

STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2016	2015
Cash Flows from Operating Activities		
Increase (Decrease) in net assets	\$ (172,357)	\$ 170,260
Adjustments:		
Depreciation and amortization	48,584	47,628
Change in assets and liabilities		
(Increase) decrease in operating assets		
Accounts receivable	5,126	(1,062)
Promises to give	41,302	(147,898)
Inventory	5,685	(2,892)
Prepaid expenses	(372)	10,586
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	7,991	(5,762)
Deferred revenue	(37,245)	8,946
Net Cash Provided (Used) by Operating Activities	(101,285)	79,806
Cash Flows from Investing Activities		
Purchase of property and equipment	(25,039)	(12,823)
Net Cash Used by Investing Activities	(25,039)	(12,823)
Cash Flows from Financing Activities		
Proceeds from notes payable	25,000	-
Payments on notes payable	(55,051)	(6,838)
Net proceeds on lines of credit	146,467	(81,467)
Net Cash Provided (Used) by Financing Activities	116,416	(88,305)
Net Decrease in Cash and Cash Equivalents	(9,908)	(21,322)
Cash and cash equivalents, beginning of year	13,614	34,936
Cash and Cash Equivalents, End of Year	\$ 3,706	\$ 13,614
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 38,350	\$ 40,141

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

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.

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 \$50,725 and \$46,664 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, 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. At June 30, 2016, \$225 of these promises was considered uncollectible. 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 22, 2016, 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, 2016 and 2015, 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, 2013 and later remain subject to examination by taxing authorities. As of June 30, 2016, 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, 2016.

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, 2016 and 2015 consist of the following:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Promises due in less than one year	\$ 100,276	\$ 145,363
Promises due in one to three years	120,000	120,000
	<u>220,276</u>	<u>265,363</u>
Less discount	(3,858)	(7,643)
Total Promises to Give at Present Value	\$ 216,418	\$ 257,720

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 35,462	\$ 35,462
Delmar building and improvements	790,419	790,419
Delmar equipment, furniture, and fixtures	338,405	337,406
Grand Center lease improvements	434,818	434,818
Grand Center equipment	240,078	216,039
Property and equipment at cost	<u>1,839,182</u>	<u>1,814,144</u>
Less accumulated depreciation	(1,425,669)	(1,377,085)
Property and Equipment, Net	\$ 413,513	\$ 437,059

Depreciation expense was \$48,584 and \$47,628 for the years ended June 30, 2016 and 2015, respectively.

Notes to Financial Statements (Continued)

5. LEASES

During 2007, the Organization entered into an operating lease with the Kranzberg Arts Foundation. The initial term of the lease was for 7 years with 5 additional renewals of two years each. The lease calls for monthly payments of \$3,045 and expires in September 30, 2017.

Future estimated lease payments are:

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 36,551
2018	\$ 9,138
	<u>\$ 45,689</u>

Rental expense for the years ended June 30, 2016 and 2015 was \$23,014 and \$21,374, 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>
2017	\$ 18,012
2018	15,867
2019	3,572
2020	2,060
	<u>\$ 39,511</u>

CRAFT ALLIANCE

Notes to Financial Statements (Continued)

6. DEBT

Debt balances consists of the following:

	June 30,	
	2016	2015
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.	\$ 181,265	\$ 191,971
Operating line-of-credit of \$400,000 dated January 2016, with interest at 0.50% plus the bank's index rate (3.25% at January 2016). Required monthly payments equal to the interest accrued on the outstanding balance. Balance and all unpaid accrued interest due on January 2017. Secured by a second deed of trust on real estate (Delmar Building) and all other corporate assets.	400,000	253,533
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.	222,742	249,738
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.	12,057	29,406
Note payable to a related party dated June 2016, with zero interest. Full balance paid in July, 2016.	13,000	-
Forgivable loan to University City, Missouri, Department of Community Development, dated February 2012. The loan is 100% forgivable if the operator (Craft Alliance) remains in the Delmar Loop for three years after the loan is received. The loan amount shall be reduced by 33.33% per annum on the anniversary of the date the agreement was fully executed.	12,000	-
Total Debt	841,064	724,648
Less current portion	(468,710)	(308,822)
Total Debt, Net of Current Portion	\$ 372,354	\$ 415,826

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>
2017	\$ 468,710
2018	368,354
2019	4,000
	<u>\$ 841,064</u>

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Operations - time restriction	\$ 120,000	\$ 170,000
Missouri Arts Council - time restriction	1,081	1,498
Gala - purpose restriction	2,600	7,575
Total	<u>\$ 123,681</u>	<u>\$ 179,073</u>

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

	<u>Years Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Regional Arts Commission - time restriction	\$ 49,900	\$ 48,200
Arts and Education Council - time and purpose restriction	30,000	39,000
Missouri Arts Council - time restriction	11,220	15,901
Operations - time restriction	50,000	50,000
Scholarships - time and purpose restriction	-	11,930
Operations - purpose restriction	5,750	1,375
Uncollectible promises to give	225	-
Total	<u>\$ 147,095</u>	<u>\$ 166,406</u>

Notes to Financial Statements (Continued)

8. GOING CONCERN

During the year ended June 30, 2016 the Organization had a decrease in net assets of \$172,357. The Organization has total liabilities in excess of total assets resulting in a net asset deficit of \$222,554 and \$50,197, at June 30, 2016 and 2015, respectively. As such, the Organization has been unable to maintain the appropriate amounts of net assets to comply with all donor-imposed restrictions.

The Organization has experienced, operating losses, negative cash flows from operating activities, and some adverse key financial ratios. It is uncertain whether the Organization can attain net asset surpluses and positive cash flows from operations. This uncertainty raises doubt about the Organization's ability to continue as a going concern.

Management's plans with respect to the above include reducing expenditures, increasing development and retail revenues, and paying down existing debt balances. These plans are detailed below. The following represents forward-looking information and users are cautioned that actual results may vary:

Plans to reduce expenditures

Subsequent to year end, the Organization implemented a temporary 10% salary decrease for all personnel. The Organization has reduced overall expenditures in its fiscal year 2017 budget. In addition, the Organization has procedures in place to measure tuition enrollment and revenue, and to automatically adjust associated costs.

Plans to increase development and retail revenues

The Organization is continuing to cultivate new funding opportunities, while maintaining and renewing existing funding. Subsequent to year end, in addition to contributions from existing donors, the Organization successfully secured \$150,000 in grants and has secured a matching grant commitment of up to \$100,000.

Throughout 2016, the Organization was negatively impacted by external factors, including municipal road construction and closures at its Delmar Gallery Shop and Exhibition Gallery. The construction caused a sharp decrease in retail customers and tuition revenue. The construction is scheduled to be completed in the fall of 2016, and Management is hopeful that retail sales and class enrollment will return to normal levels, and potentially improve with the opening of the Delmar Loop Trolley.

Plans to pay down debt balances

In response to the Organization's financial status, the Board of Directors has approved a proactive initiative in fiscal year 2017 to pay down existing debt balances.



**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, 2016 and 2015, and have issued our report thereon dated September 22, 2016, 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 22, 2016

CRAFT ALLIANCE

**SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016**

	Program Services					Support Services				Total
	Delmar	Delmar	Delmar	Grand	Total	Mgmt	Fundraising		Total	
	Education	Gallery	Exhibition				Center	Program		
Center	Shop	Gallery	Outreach	Center	Services	General	Development	Events	Total	
Salaries and wages	\$ 232,076	\$ 107,621	\$ 51,683	\$ 78,013	\$ 131,217	\$ 600,611	\$ 52,275	\$ 172,692	\$ -	\$ 825,578
Payroll taxes and benefits	21,309	13,446	5,174	5,853	11,674	57,457	23,460	16,232	-	97,148
Cost of goods sold	-	282,705	26,337	-	811	309,853	-	-	-	309,853
Professional services	-	-	-	-	-	-	13,711	3,000	-	16,711
Printing	12,011	1,071	5,220	-	4,450	22,752	-	4,691	-	27,443
Utilities	25,853	9,148	7,204	1,692	20,198	64,095	8,123	5,320	-	77,538
Class expenses and supplies	25,020	-	-	-	15,222	40,242	-	-	-	40,242
Postage and shipping	2,892	16,735	5,679	87	1,002	26,395	137	2,576	-	29,109
Interest	-	9,054	-	-	9,654	18,709	19,642	-	-	38,350
Advertising and hospitality	10,376	15,699	8,965	282	9,494	44,817	146	5,762	-	50,725
Curator	1,008	669	1,150	-	684	3,511	-	-	-	3,511
Processing fees	8,017	10,615	1,249	536	2,939	23,357	266	3,778	-	27,401
Scholarships	-	-	-	-	-	-	-	-	-	-
Programs, shows and special projects	20,665	2,641	-	21,447	11,270	56,021	-	-	-	56,021
Repairs and maintenance	9,646	3,731	3,472	506	6,223	23,578	6,124	304	-	30,006
Equipment rental	2,777	2,236	1,016	267	3,439	9,734	660	8,661	-	19,055
Insurance	6,702	3,501	3,349	1,424	7,162	22,137	6,236	387	-	28,760
Travel	34	1,787	1,392	113	373	3,699	-	249	-	3,949
Office supplies	900	4,419	608	298	530	6,756	347	1,215	-	8,317
Miscellaneous	644	1,160	172	43	297	2,316	506	127	-	2,949
Rent expense	-	-	-	-	20,970	20,970	-	-	-	20,970
Parking Expense	-	-	-	-	2,044	2,044	-	-	-	2,044
Gala expense	-	-	-	-	-	-	-	-	56,354	56,354
Subtotal	379,929	486,239	122,671	110,561	259,652	1,359,053	131,632	224,995	56,354	1,772,034
Depreciation	5,977	1,733	1,733	578	36,830	46,851	1,733	-	-	48,584
In-Kind Expenses	-	-	-	-	-	-	11,200	-	-	11,200
Uncollectible promises to give	-	-	-	-	-	-	-	225	-	225
Total	\$ 385,906	\$ 487,972	\$ 124,404	\$ 111,139	\$ 296,482	\$ 1,405,904	\$ 144,565	\$ 225,220	\$ 56,354	\$ 1,832,044

CRAFT ALLIANCE

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

	Program Services						Support Services				Total
	Delmar	Delmar	Delmar	Grand		Total	Mgmt and General	Fundraising			
	Education Center	Gallery Shop	Exhibition Gallery	Outreach	Exhibition	Center Services		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	1,362,425	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
Total	\$ 353,462	\$ 498,659	\$ 88,813	\$ 150,553	\$ 3,146	\$ 313,585	\$ 1,408,216	\$ 126,512	\$ 213,654	\$ 72,978	\$ 1,821,360