
**COCA - CENTER OF
CREATIVE ARTS**
FINANCIAL STATEMENTS
AUGUST 31, 2016



Contents

Page

Independent Auditors' Report..... 1 - 2

Financial Statements

Statement Of Financial Position.....3

Statements Of Activities 4 - 5

Statement Of Cash Flows6

Notes To Financial Statements.....7 - 22

Supplementary Information

Independent Auditors' Report On Supplementary
Information.....23

Schedules Of Functional Expenses.....24 - 25

Independent Auditors' Report

Board of Directors
COCA - Center of Creative Arts
St. Louis, Missouri

Report On The Financial Statements

We have audited the financial statements of COCA - Center of Creative Arts, a not-for-profit organization, which comprise the statement of financial position as of August 31, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of COCA - Center of Creative Arts as of August 31, 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.

RubinBrown LLP

February 6, 2017

COCA - CENTER OF CREATIVE ARTS

STATEMENT OF FINANCIAL POSITION

August 31, 2016 And 2015

	Assets			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted	2016	2015
	Cash and cash equivalents	\$ 903,123	\$ 1,144,539	\$ —	\$ 2,047,662
Cash and cash equivalents - board designated capital building reserve	501,624	—	—	501,624	500,568
Accounts receivable	22,740	—	—	22,740	16,213
Promises to give	—	10,645,001	—	10,645,001	8,344,776
Prepaid expenses	42,357	—	—	42,357	73,490
Property and equipment	1,118,471	5,459,359	—	6,577,830	6,420,352
Artwork	41,801	—	—	41,801	41,801
Assets restricted and/or designated for endowment	479,903	760,710	2,722,939	3,963,552	3,922,512
Total Assets	\$ 3,110,019	\$ 18,009,609	\$ 2,722,939	\$ 23,842,567	\$ 20,379,487

Liabilities And Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 464,872	\$ —	\$ —	\$ 464,872	\$ 312,358
Deferred revenue	279,174	—	—	279,174	353,140
Liability under trust agreement	—	—	25,010	25,010	26,474
Total Liabilities	744,046	—	25,010	769,056	691,972

Net Assets

Unrestricted:					
Undesignated	265,975	—	—	265,975	163,348
Board designated endowment	479,903	—	—	479,903	476,109
Board designated capital building reserve	501,624	—	—	501,624	500,568
Investment in property and equipment	1,118,471	—	—	1,118,471	1,284,054
Total unrestricted	2,365,973	—	—	2,365,973	2,424,079
Temporarily restricted	—	18,009,609	—	18,009,609	14,570,017
Permanently restricted	—	—	2,697,929	2,697,929	2,693,419
Total Net Assets	2,365,973	18,009,609	2,697,929	23,073,511	19,687,515
Total Liabilities And Net Assets	\$ 3,110,019	\$ 18,009,609	\$ 2,722,939	\$ 23,842,567	\$ 20,379,487

COCA - CENTER OF CREATIVE ARTS

STATEMENT OF ACTIVITIES For The Year Ended August 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support				
Contributions and grants - operations	\$ 93,472	\$ 1,581,310	\$ 4,545	\$ 1,679,327
Contributions and grants - Create Our Future Campaign	—	4,188,000	—	4,188,000
Contributions and grants - capital	—	15,000	—	15,000
Youth Opportunities Program contributions	—	282,886	—	282,886
Adjustment to discount on long-term promises to give	—	(113,700)	4,000	(109,700)
Total contributions and grants	93,472	5,953,496	8,545	6,055,513
Fundraising event revenue	947,985	—	—	947,985
Costs of direct benefits to donors	(277,710)	—	—	(277,710)
Net revenues from fundraising events	670,275	—	—	670,275
Total Support	763,747	5,953,496	8,545	6,725,788
Revenue And Gains (Losses)				
Program revenues:				
Education (net of \$257,455 of scholarships)	1,040,571	—	—	1,040,571
Camps	685,392	—	—	685,392
COCAedu	121,398	—	—	121,398
COCA Presents	195,795	—	—	195,795
COCAbiz	198,140	—	—	198,140
Interest and dividends	15,666	93,221	1,930	110,817
Unrealized gain (loss) on investments	(4,387)	22,362	1,946	19,921
Realized gain on investments	18,232	66,787	—	85,019
Change in value of split-interest agreement	—	—	(7,911)	(7,911)
Miscellaneous	3,564	—	—	3,564
Total Revenue And Gains (Losses)	2,274,371	182,370	(4,035)	2,452,706
Net Assets Released From Restrictions	2,432,019	(2,432,019)	—	—
Appropriation Of Endowment Investment				
Earnings	148,170	(148,170)	—	—
Total Support, Revenue And Gains (Losses)	5,618,307	3,555,677	4,510	9,178,494
Expenses And Losses				
Program:				
Education	1,745,305	—	—	1,745,305
Camps	684,329	—	—	684,329
COCAedu	456,414	—	—	456,414
COCA Presents	494,674	—	—	494,674
COCAbiz	378,310	—	—	378,310
Total Program Expenses	3,759,032	—	—	3,759,032
Management and general	957,636	—	—	957,636
Fundraising:				
Fundraising events	72,734	—	—	72,734
Development	887,011	—	—	887,011
Loss on uncollectible promises to give	—	116,085	—	116,085
Total Expenses And Losses	5,676,413	116,085	—	5,792,498
Increase (Decrease) In Net Assets	(58,106)	3,439,592	4,510	3,385,996
Net Assets - Beginning Of Year	2,424,079	14,570,017	2,693,419	19,687,515
Net Assets - End Of Year	\$ 2,365,973	\$ 18,009,609	\$ 2,697,929	\$ 23,073,511

COCA - CENTER OF CREATIVE ARTS

STATEMENT OF ACTIVITIES For The Year Ended August 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support				
Contributions and grants - operations	\$ 119,657	\$ 1,592,839	\$ 4,152	\$ 1,716,648
Contributions and grants - Create Our Future Campaign	—	8,000,000	—	8,000,000
Contributions and grants - capital	—	30,984	—	30,984
Youth Opportunities Program contributions	—	142,015	—	142,015
Adjustment to discount on long-term promises to give	—	(971,100)	7,000	(964,100)
Total contributions and grants	119,657	8,794,738	11,152	8,925,547
Fundraising event revenue	899,843	10,000	—	909,843
Costs of direct benefits to donors	(267,426)	—	—	(267,426)
Net revenues from fundraising events	632,417	10,000	—	642,417
Total Support	752,074	8,804,738	11,152	9,567,964
Revenue And Gains (Losses)				
Program revenues:				
Education (net of \$236,215 of scholarships)	1,004,782	—	—	1,004,782
Camps	694,521	—	—	694,521
COCAedu	122,546	—	—	122,546
COCA Presents	162,685	—	—	162,685
COCAbiz	162,600	—	—	162,600
Interest and dividends	31,677	137,328	2,144	171,149
Unrealized loss on investments	(57,762)	(241,364)	(271)	(299,397)
Realized gain on investments	22,630	67,005	—	89,635
Change in value of split-interest agreement	—	—	(8,818)	(8,818)
Miscellaneous	3,271	—	—	3,271
Total Revenue And Gains (Losses)	2,146,950	(37,031)	(6,945)	2,102,974
Net Assets Released From Restrictions	2,151,614	(2,151,614)	—	—
Appropriation Of Endowment Investment				
Earnings	130,267	(130,267)	—	—
Total Support, Revenue And Gains (Losses)	5,180,905	6,485,826	4,207	11,670,938
Expenses And Losses				
Program:				
Education	1,581,117	—	—	1,581,117
Camps	682,304	—	—	682,304
COCAedu	501,956	—	—	501,956
COCA Presents	476,629	—	—	476,629
COCAbiz	308,224	—	—	308,224
Total Program Expenses	3,550,230	—	—	3,550,230
Management and general	945,471	—	—	945,471
Fundraising:				
Fundraising events	60,696	—	—	60,696
Development	728,240	—	—	728,240
Loss on uncollectible promises to give	—	32,568	—	32,568
Total Expenses And Losses	5,284,637	32,568	—	5,317,205
Increase (Decrease) In Net Assets	(103,732)	6,453,258	4,207	6,353,733
Net Assets - Beginning Of Year	2,527,811	8,116,759	2,689,212	13,333,782
Net Assets - End Of Year	\$ 2,424,079	\$ 14,570,017	\$ 2,693,419	\$ 19,687,515

COCA - CENTER OF CREATIVE ARTS

STATEMENT OF CASH FLOWS

	For The Years	
	Ended August 31,	
	2016	2015
Cash Flows From Operating Activities		
Increase in net assets	\$ 3,385,996	\$ 6,353,733
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on investments	(19,921)	299,397
Realized gain on investments	(85,019)	(89,635)
Change in value of split-interest agreement	7,911	8,818
Depreciation and amortization	383,794	379,113
Contributions restricted for Create Our Future Campaign	(3,845,900)	(7,020,600)
Contributions restricted for endowment	(8,545)	(11,152)
Contributions restricted for capital	(12,200)	(30,984)
Loss on uncollectible promises to give	116,085	32,568
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(6,527)	28,378
Decrease in promises to give	423,541	348,959
(Increase) decrease in prepaid expenses	31,133	(33,474)
Increase in accounts payable and accrued expenses	152,514	90,441
Increase (decrease) in deferred revenue	(73,966)	76,200
Net Cash Provided By Operating Activities	448,896	431,762
Cash Flows From Investing Activities		
Purchases of investments	(1,136,314)	(831,075)
Proceeds from sale of investments	1,094,839	759,383
Capital expenditures	(541,272)	(168,115)
Net Cash Used In Investing Activities	(582,747)	(239,807)
Cash Flows From Financing Activities		
Proceeds received from contributions restricted for endowment	104,545	54,152
Proceeds received from contributions restricted for Create Our Campaign	971,821	—
Proceeds received from contributions restricted for capital	46,428	17,378
Net Cash Provided By Financing Activities	1,122,794	71,530
Net Increase In Cash And Cash Equivalents	988,943	263,485
Cash And Cash Equivalents - Beginning Of Year	1,560,343	1,296,858
Cash And Cash Equivalents - End Of Year	\$ 2,549,286	\$ 1,560,343

COCA - CENTER OF CREATIVE ARTS

NOTES TO FINANCIAL STATEMENTS

August 31, 2016 And 2015

1. Summary Of Significant Accounting Policies

Accounting Basis

COCA - Center of Creative Arts (COCA) prepares its financial statements on the accrual basis of accounting. Income is recognized when earned and expenses are recognized when incurred.

Basis Of Presentation

Financial statement presentation follows guidance set forth by generally accepted accounting principles (GAAP) for not-for-profit organizations, which requires COCA to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates And Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results may differ from these estimates.

Cash And Cash Equivalents

COCA considers all unrestricted temporary cash investments with original maturities less than three months from date of purchase as cash equivalents.

COCA invests its excess cash in debt instruments and securities with financial institutions that have strong credit ratings and established guidelines relative to diversification and maturities that maintain safety and liquidity. Bank deposits exceeded federally insured limits at various times during the year. The total uninsured balance at August 31, 2016 was approximately \$2,174,000.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment of their credit history with patrons having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year end will be immaterial.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (*Continued*)

Promises To Give

Unconditional promises to give 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. Management provides for probable uncollected amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Those 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 the receivable.

Investments And Assets Restricted/Designated For Endowment

Investments are reported at fair value. Gains or losses on sales of investments are determined on a specific cost identification method. Unrealized gains and losses are determined based on year-end market value fluctuations.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement of financial position.

Property And Equipment

Property and equipment are carried at cost, less accumulated depreciation, computed using the straight-line method over the following periods:

Building and building improvements	31.5 years
Courtyard improvements and landscaping	7 - 15 years
Furniture and fixtures	3 - 7 years
Vehicles	5 - 7 years

Artwork

Artwork consists of art objects that are held for educational and cultural purposes. Artwork is capitalized at cost if purchased and at fair value at the date of accession if donated. Artwork is protected, kept unencumbered, cared for, and preserved.

Deferred Revenue

Payments of tuition for the upcoming year which are received in the current year are recorded as deferred revenue and recognized as revenue when earned.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (*Continued*)

Restricted And Unrestricted Support And Revenue

COCA reports gifts of cash and other assets as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any donor restrictions.

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. COCA has also adopted the policy of reporting net assets released from restrictions upon completion of the donor purpose restriction, regardless of whether the related cash has been received.

Property and equipment purchased with restricted contributions are considered temporarily restricted and are released from restrictions over the depreciable life of the asset.

Description Of Program Services And Supporting Activities

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

Education

Includes those expenditures that enable COCA to provide performing and visual arts education at COCA's main University City location as well as at offsite locations. Additionally includes expenditures that enable COCA to exhibit local and nationally recognized artists in its gallery.

Camps

Includes those expenditures that enable COCA to provide summer arts camps at COCA's main University City location and offsite locations in St. Louis.

COCAedu

Includes those expenditures that enable COCA to provide arts education and arts-integration programs, both in the classroom for public and independent St. Louis schools as well as through professional development for teachers. Additionally includes expenditures that enable COCA to lead a collaborative partnership with St. Louis arts and cultural organizations to better engage teachers and students and improve learning through the arts. COCAedu balances both revenue-generating and subsidized arts instruction, making its distinctive programs available, regardless of practical, transportation, or economic barriers.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (*Continued*)

COCA Presents

Comprised of original COCA productions and the best touring companies from around the world, COCA Presents offers the highest caliber, cross-disciplinary, live theatre performances for our St. Louis audiences. With access as a core value, COCA Presents provides opportunities for families to experience engaging theatre together and strives to make these shows accessible to the widest possible demographic through discounted tickets, school time performances and special matinee shows for public school students.

COCAbiz

Includes those expenditures that enable COCA to provide arts-based business instruction, including custom training, workshops, talks, conferences, and special events, to help individuals and corporate teams embrace creative problem solving, innovative thinking, and more dynamic leadership.

Management And General

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

Fundraising

Provides the structure necessary to encourage and secure private financial support from corporations, foundations, and individuals, including fundraising events.

Expense Allocation

Expenses are charged to program services and supporting activities on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of COCA.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (*Continued*)

Donated Services

Certain professional services are donated to COCA by various organizations. Those donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by COCA. Those donated services are recorded at fair value at the date of donation. A substantial number of volunteers (approximately 356 and 344 in 2016 and 2015, respectively) have also donated a significant amount of their time (approximately 7,189 and 7,540 hours in 2016 and 2015, respectively) to COCA's programs. These donated services have not been recognized as contributions in the financial statements since the aforementioned recognition criteria, as stated by generally accepted accounting principles, were not met.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled \$205,545 for 2016 and \$215,966 for 2015.

Tax Status

The United States Treasury Department has advised that COCA constitutes a qualified not-for-profit organization and is, therefore, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Subsequent Events

Management has evaluated subsequent events through the audit report date, which is when the financial statements were available for issue.

2. Operations

COCA began operations in 1987 as the Center of Contemporary Arts. During 2003, COCA changed its name to COCA - Center of Creative Arts.

Revenue and support includes receipts from program revenues, public contributions, fundraising, and grants. The funds thus generated, after deducting operating expenses, are used primarily to promote, sponsor and manage cultural, artistic and educational activities and programs relating to visual and performing arts.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (Continued)

3. Promises To Give

Promises to give consist of unconditional contributions and grants that are to be utilized for various programs and operations and are collectible as follows:

	2016				
	Operating	Create Our Future Campaign	Capital	Endowment	Total
Less than one year	\$ 545,731	\$ 1,683,178	\$ 68,929	\$ 75,000	\$ 2,372,838
One - five years	264,667	6,918,712	—	—	7,183,379
Six - ten years	—	2,414,289	—	—	2,414,289
	810,398	11,016,179	68,929	75,000	11,970,506
Less: Discount to record at present value	20,800	1,109,000	1,000	—	1,130,800
Less: Allowance for doubtful promises to give	8,854	110,037	814	—	119,705
	\$ 780,744	\$ 9,797,142	\$ 67,115	\$ 75,000	\$ 10,720,001

	2015				
	Operating	Create Our Future Campaign	Capital	Endowment	Total
Less than one year	\$ 722,567	\$ 928,571	\$ 60,000	\$ 100,000	\$ 1,811,138
One - five years	608,929	3,964,284	12,500	75,000	4,660,713
Six - ten years	—	3,107,145	—	—	3,107,145
	1,331,496	8,000,000	72,500	175,000	9,578,996
Less: Discount to record at present value	37,000	979,400	700	4,000	1,021,100
Less: Allowance for doubtful promises to give	39,945	—	2,175	—	42,120
	\$ 1,254,551	\$ 7,020,600	\$ 69,625	\$ 171,000	\$ 8,515,776

A discount rate of 3% was used to record the promises to give at the present value of future cash flows.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (Continued)

The promises to give are reported in the statement of financial position as follows:

	<u>2016</u>	<u>2015</u>
Promises to give	\$ 10,645,001	\$ 8,344,776
Assets restricted/designated for endowment	75,000	171,000
	<u>\$ 10,720,001</u>	<u>\$ 8,515,776</u>

4. Prepaid Expenses

Prepaid expenses consist of:

	<u>2016</u>	<u>2015</u>
Prepaid insurance	\$ 15,496	\$ 9,652
Prepaid program expenses	25,049	62,049
Other	1,812	1,789
	<u>\$ 42,357</u>	<u>\$ 73,490</u>

5. Investments Including Assets Restricted And/Or Designated For Endowment

Investments and assets restricted and/or designated for endowment consist of:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 43,199	\$ 43,199	\$ 65,415	\$ 65,415
Fixed income mutual funds				
High yield	80,504	77,290	93,533	91,646
Intermediate-term	506,482	523,690	478,299	482,091
Other	391,689	394,569	401,519	400,466
Equity mutual funds				
Large cap blend	1,698,389	1,811,677	1,573,268	1,632,652
Large cap growth	302,047	360,246	305,649	411,210
Large cap value	337,941	366,081	295,250	307,472
Other	268,770	311,800	298,969	360,560
	<u>\$ 3,629,021</u>	<u>\$ 3,888,552</u>	<u>\$ 3,511,902</u>	<u>\$ 3,751,512</u>

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (*Continued*)

These amounts are reported in the statement of financial position as assets restricted and/or designated for endowment.

At August 31, 2016 and 2015, assets restricted/designated for endowment also include promises to give in the amount of \$75,000 and \$171,000, respectively (Note 3).

During 2016 and 2015, unrealized gains (losses) of \$19,921 and \$(299,397), respectively, were recorded to adjust the investments to fair value.

Investment revenues were reported net of fees. Investment fees totaled \$8,306 and \$8,803 in 2016 and 2015, respectively.

Investments are carried at fair value in accordance with accounting principles generally accepted in the United States of America. Generally accepted accounting principles establish a framework for measuring fair value and provide a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that COCA has the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">• Quoted prices for similar assets or liabilities in active markets;• Quoted prices for identical or similar assets or liabilities in inactive markets;• Inputs other than quoted prices that are observable for the asset or liability;• Inputs that are derived principally from or corroborated by observable market data by correlation or other means. |

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (*Continued*)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual Funds

Valued at the daily closing price as reported by the fund. Mutual funds held by COCA are open-end investment companies that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The registered investment companies held by COCA are deemed to be actively traded and are categorized as Level 1 in the fair value hierarchy.

During 2016 and 2015, there were no changes in the methods and/or assumptions utilized to derive the fair values of COCA's assets.

6. Property And Equipment

Property and equipment consist of:

	<u>2016</u>	<u>2015</u>
Land	\$ 424,556	\$ 424,556
Building and building improvements	10,169,755	10,159,030
Courtyard improvements and landscaping	60,218	60,218
Furniture and fixtures	1,255,750	1,248,931
Vehicles	112,902	48,792
Construction in progress	536,618	77,000
	<u>12,559,799</u>	<u>12,018,527</u>
Less: Accumulated depreciation	5,981,969	5,598,175
	<u>\$ 6,577,830</u>	<u>\$ 6,420,352</u>

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (*Continued*)

Depreciation charged against revenues amounted to \$383,794 in 2016 and \$379,113 in 2015.

Included in building and building improvements at August 31, 2016 and 2015 is capitalized interest in the amount of \$76,036.

Capital Commitments

COCA has entered into a professional design services contract with an unrelated party in the amount of \$383,000, for the construction of buildings on COCA's property. At August 31, 2016, \$339,030 of such contract commitments have been incurred.

7. Revolving Line Of Credit

COCA had a revolving line of credit with a bank with maximum borrowings of \$800,000. This line of credit is secured by the deed of trust on COCA's property and equipment and bears interest at the prime rate (3.5% at August 31, 2016). Interest only payments are required until the line of credit matures on March 31, 2017. There was no outstanding balance on the line of credit at August 31, 2016 or 2015, and no related interest expense in 2016 or 2015.

8. Charitable Remainder Trust

During 1997, COCA was named as the trustee and beneficiary of a charitable remainder trust. Under the trust agreement, COCA pays the donor semiannual installments totaling \$9,375. Upon termination of the trust, COCA will receive the assets remaining in the trust, which are to be held as a part of COCA's endowment and used to support outreach programs. The assets held in trust are recorded by COCA at fair value. In calculating the present value of the semiannual payments to be made until termination of the trust, a discount rate of 8.2% and a donor age of 94 years were assumed. For the years ended August 31, 2016 and 2015, the change in value of split-interest agreement based on actuarial assumptions amounted to \$(7,911) and \$(8,818), respectively. During 2016 and 2015, interest and dividends earned on the assets held in the trust amounted to \$1,930 and \$2,144, respectively. The unrealized gain (loss) for 2016 and 2015, amounted to \$1,946 and \$(271), respectively. There was no realized gain or loss on investments for 2016 or 2015. As of August 31, 2016 and 2015, assets held in the trust amounted to \$85,710 and \$91,211, respectively. These assets are included in assets restricted/designated for endowment (Note 5). At August 31, 2016 and 2015, the liability under the trust amounted to \$25,010 and \$26,474, respectively.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (Continued)

9. Net Assets

Temporarily restricted net assets are subject to the following donor-imposed restrictions:

	<u>2016</u>	<u>2015</u>
Temporarily restricted property and equipment	\$ 4,863,262	\$ 5,136,298
Temporarily restricted property and equipment		
- Create Our Future	536,618	—
Capital project fund	355,210	382,392
COCAbiz	42,500	42,500
COCAedu	327,907	217,007
COCA Presents	—	90,871
Productions Exhibits/Gallery	209,845	—
Create Our Future Campaign	10,126,074	6,980,565
Education/Gallery	—	21,097
FLAME event	10,000	10,000
General operations/Leadership Circle	311,049	564,353
Innovation grant	57,204	52,676
Preprofessional support services	337,504	328,750
Unappropriated endowment investment		
earnings (Note 13)	760,710	726,510
Youth Opportunities Program	71,726	16,998
	<u>\$ 18,009,609</u>	<u>\$ 14,570,017</u>

Temporarily restricted net assets were released from donor-imposed restrictions as follows:

	<u>2016</u>	<u>2015</u>
Temporarily restricted property and equipment	\$ 295,210	\$ 287,362
Capital project fund	10,165	27,308
Camps	27,500	35,000
COCAbiz	48,750	80,600
COCAedu	295,364	334,680
COCA Presents	112,246	107,000
Create Our Future Campaign	266,236	40,335
Education/Gallery	107,496	41,274
Fundraising event - COCAcabana	—	15,000
General operations/Leadership Circle	687,114	746,787
Innovation grant	472	703
Preprofessional support services	353,308	261,932
Youth Opportunities Program	228,158	173,633
	<u>\$ 2,432,019</u>	<u>\$ 2,151,614</u>

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (*Continued*)

Permanently restricted net assets (Notes 5 and 8) consist of the following:

	<u>2016</u>	<u>2015</u>
Janet and Bernard Becker Fund for Outreach	\$ 982,008	\$ 982,008
COCA endowment	420,000	420,000
COCA Presents endowment	50,000	50,000
Dorothy Pearlstein Dubinsky Garden endowment	25,000	25,000
Ferring Family Faculty endowment	6,765	6,765
Grant Foundation endowment	10,000	10,000
Hillman Fund for Innovation	263,150	259,150
Riven Family endowment	40,000	40,000
Rosalyn and Manny Rosenthal endowment	100,000	100,000
Scholarships and outreach endowment	215,856	211,309
William Randolph Hearst outreach endowment	300,000	300,000
Wilma Messing scholarship endowment	224,450	224,450
Assets held in charitable remainder trust (Note 8)	85,710	91,211
Liability under trust agreement (Note 8)	(25,010)	(26,474)
	<u>\$ 2,697,929</u>	<u>\$ 2,693,419</u>

10. In-Kind Contributions

Contributions and grants include in-kind contributions for travel, hospitality and direct fundraising events production expenses of \$75,167 and \$59,444 for the years ended August 31, 2016 and 2015, respectively.

11. Endowment Funds

COCA's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting standards, assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (*Continued*)

The Board of Directors of COCA has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, COCA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by COCA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, COCA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a) The duration and preservation of the funds;
- b) The purposes of COCA and the donor-restricted endowment funds;
- c) General economic conditions;
- d) The possible effect of inflation and deflation;
- e) The expected total return from income and appreciation of investments;
- f) Other resources of COCA; and
- g) The investment policies of COCA.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires COCA to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature related to market fluctuations are reported in unrestricted net assets. There were no such deficiencies as of August 31, 2016 or 2015. The Board of Directors has adopted a policy such that, at the discretion of the Investment Committee, COCA may elect to expend funds from donor-restricted endowment funds if deemed to be prudent to meet the endowment funds' objectives. The Board defines prudent as meaning not more than 7% of the fair value of a donor-restricted endowment fund may be encroached upon annually unless donor documents state otherwise.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (*Continued*)

COCA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that COCA must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are expected, over time, to provide an average rate of return to exceed the sum of the endowment's spending rate, anticipated inflation, investment management consulting fees, and administrative costs. To achieve the endowment objective, the endowment's assets are invested to generate appreciation and/or dividend and interest income and are diversified among several classes. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, COCA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). COCA targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

COCA's investment and spending policies are designed to release a substantial and stable flow of funds to the operating budget and to preserve the value of endowment assets against inflation. On an annual basis, the Investment Committee will review and determine a spending rule. This determination will be based on factors such as: a) the expected total return from income and appreciation; b) other resources of the organization; c) the need to make distributions and preserve capital; and d) the donor's intent. The Investment Committee will then present their recommendation of the annual appropriation of endowment assets to the Board of Directors for their approval. In August 31, 2016 and 2015, the Board of Directors adopted a spending rule such that 5% of the rolling average of the past three December balances of endowment assets was distributed.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (Continued)

At August 31, 2016 and 2015, COCA had the following endowment funds:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ —	\$ 760,710	\$ 2,647,939	\$ 3,408,649
Board-designated endowment funds	479,903	—	—	479,903
	<u>\$ 479,903</u>	<u>\$ 760,710</u>	<u>\$ 2,647,939</u>	<u>\$ 3,888,552</u>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ —	\$ 726,510	\$ 2,548,893	\$ 3,275,403
Board-designated endowment funds	476,109	—	—	476,109
	<u>\$ 476,109</u>	<u>\$ 726,510</u>	<u>\$ 2,548,893</u>	<u>\$ 3,751,512</u>

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (Continued)

Changes in these endowment funds for the years ended August 31, 2016 and 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance - September 1, 2014	\$ 502,906	\$ 893,808	\$ 2,502,243	\$ 3,898,957
Net investment income and investment gains (losses)	(7,064)	(37,031)	1,873	(42,222)
Proceeds from contributions restricted for endowment	—	—	54,152	54,152
Payment on trust liability obligation	—	—	(9,375)	(9,375)
Appropriation of endowment assets for expenditure	(19,733)	(130,267)	—	(150,000)
Balance - August 31, 2015	476,109	726,510	2,548,893	3,751,512
Net investment income and investment gains	25,625	182,370	3,876	211,871
Proceeds from contributions restricted for endowment	—	—	104,545	104,545
Payment on trust liability obligation	—	—	(9,375)	(9,375)
Appropriation of endowment assets for expenditure	(21,831)	(148,170)	—	(170,001)
Balance - August 31, 2016	\$ 479,903	\$ 760,710	\$ 2,647,939	\$ 3,888,552

Independent Auditors' Report On Supplementary Information

Board of Directors
COCA - Center of Creative Arts
St. Louis, Missouri

We have audited the financial statements of COCA - Center of Creative Arts as of and for the years ended August 31, 2016 and 2015, and our report thereon dated February 6, 2017, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

RubinBrown LLP

February 6, 2017

COCA - CENTER OF CREATIVE ARTS

SCHEDULE OF FUNCTIONAL EXPENSES For The Year Ended August 31, 2016

	Program						Management And General	Fundraising	Total
	Education	Camps	COCAedu	COCA Presents	COCAbiz	Total			
Salaries and wages	\$ 1,008,308	\$ 368,730	\$ 253,508	\$ 213,950	\$ 205,932	\$ 2,050,428	\$ 410,377	\$ 654,019	\$ 3,114,824
Consultants	48,496	50,203	82,393	17,044	30,899	229,035	5,457	20,655	255,147
Health insurance	23,361	2,921	7,805	7,870	8,804	50,761	15,493	16,757	83,011
Payroll taxes	80,109	30,250	20,057	17,641	16,440	164,497	31,340	46,659	242,496
Advertising and marketing	38,412	31,725	5,922	53,416	30,812	160,287	19,528	25,730	205,545
Artist accommodations and hospitality	8,081	2,619	—	13,425	—	24,125	—	—	24,125
Artist fees	250	—	—	44,000	38,000	82,250	—	—	82,250
Bad debt expense	—	—	—	—	—	—	53,637	—	53,637
Building occupancy	121,431	57,876	13,126	16,305	7,918	216,656	11,733	10,296	238,685
Depreciation and amortization	226,384	57,780	22,747	30,688	14,931	352,530	15,632	15,632	383,794
Donor cultivation	—	—	—	—	—	—	—	36,122	36,122
Event expenses	—	—	—	—	7,634	7,634	—	72,734	80,368
Insurance	22,166	5,658	2,227	3,005	1,462	34,518	22,992	1,531	59,041
Miscellaneous	273	—	403	—	—	676	—	—	676
Office	5,304	—	7,719	6,932	2,012	21,967	51,526	5,415	78,908
Postage and shipping	13,060	8,641	—	7,022	587	29,310	6,325	3,476	39,111
Program supplies	40,535	43,835	21,208	39,991	4,737	150,306	—	—	150,306
Professional fees	—	—	—	—	—	—	76,834	24,374	101,208
Service charges	—	—	—	—	—	—	102,243	1,418	103,661
Technology	18,994	2,837	1,112	12,136	1,206	36,285	120,823	17,752	174,860
Training	6,637	—	3,343	987	1,865	12,832	8,204	1,933	22,969
Transportation	7,802	1,943	7,225	0	58	17,028	278	28	17,334
Utilities	75,702	19,311	7,619	10,262	5,013	117,907	5,214	5,214	128,335
	\$ 1,745,305	\$ 684,329	\$ 456,414	\$ 494,674	\$ 378,310	\$ 3,759,032	\$ 957,636	\$ 959,745	\$ 5,676,413

COCA - CENTER OF CREATIVE ARTS

SCHEDULE OF FUNCTIONAL EXPENSES

For The Year Ended August 31, 2015

	Program						Management And General		
	Education	Camps	COCAedu	COCA Presents	COCAbiz	Total	Fundraising	Total	
Salaries and wages	\$ 879,396	\$ 373,284	\$ 302,818	\$ 190,193	\$ 199,509	\$ 1,945,200	\$ 400,262	\$ 507,432	\$ 2,852,894
Consultants	51,723	49,391	84,242	23,071	7,090	215,517	2,799	21,500	239,816
Health insurance	13,922	3,249	5,594	8,936	8,412	40,113	19,783	14,984	74,880
Payroll taxes	69,394	29,630	24,060	15,147	23,064	161,295	30,979	40,189	232,463
Advertising and marketing	44,198	24,631	1,022	50,154	31,939	151,944	52,236	11,786	215,966
Artist accommodations and hospitality	10,280	618	—	14,267	—	25,165	—	—	25,165
Artist fees	—	—	—	46,200	5,000	51,200	—	—	51,200
Bad debt expense	—	—	—	—	—	—	7,805	—	7,805
Building occupancy	125,025	62,635	13,568	16,903	7,207	225,338	12,836	15,971	254,145
Depreciation and amortization	223,356	58,134	21,059	30,233	12,635	345,417	16,848	16,848	379,113
Donor cultivation	—	—	—	—	—	—	—	28,207	28,207
Event expenses	—	—	—	—	—	—	—	60,696	60,696
Insurance	20,794	5,412	1,961	2,815	1,176	32,158	20,464	1,568	54,190
Miscellaneous	118	—	863	—	—	981	—	—	981
Office	5,650	—	3,713	5,460	205	15,028	59,976	7,951	82,955
Postage and shipping	16,218	7,088	172	8,841	1,520	33,839	6,663	5,010	45,512
Program supplies	23,349	45,568	17,907	32,457	5,255	124,536	—	—	124,536
Professional fees	—	—	—	—	—	—	87,462	21,294	108,756
Service charges	—	—	—	—	—	—	91,056	1,776	92,832
Technology	10,475	2,726	988	18,739	593	33,521	120,194	18,111	171,826
Training	2,984	—	3,444	2,891	305	9,624	9,722	9,451	28,797
Transportation	8,226	155	13,378	34	14	21,807	652	429	22,888
Utilities	76,009	19,783	7,167	10,288	4,300	117,547	5,734	5,733	129,014
	\$ 1,581,117	\$ 682,304	\$ 501,956	\$ 476,629	\$ 308,224	\$ 3,550,230	\$ 945,471	\$ 788,936	\$ 5,284,637