

AMERICAN CRAFT COUNCIL

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

**AMERICAN CRAFT COUNCIL
TABLE OF CONTENTS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7

INDEPENDENT AUDITORS' REPORT

Board of Trustees
American Craft Council
Minneapolis, Minnesota

We have audited the accompanying financial statements of American Craft Council, which comprise the statements of financial position as of September 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 the 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 the 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.

Board of Trustees
American Craft Council

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Craft Council as of September 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
January 31, 2017

**AMERICAN CRAFT COUNCIL
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015**

	2016	2015
ASSETS		
ASSETS		
Cash	\$ 384,044	\$ 357,085
Contributions Receivable	495,063	353,976
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$5,000 in 2016 and 2015	77,333	86,877
Prepaid Expenses and Other Assets	202,132	182,022
Investments	6,124,620	5,965,697
Property and Equipment, Net of Accumulated Depreciation	398,690	52,678
Total Assets	\$ 7,681,882	\$ 6,998,335
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 71,160	\$ 113,599
Accrued Salaries and Time Off	100,241	164,554
Deferred Revenue - Membership	328,631	310,685
Deferred Revenue - Other	40,568	80,225
Capital Leases	10,004	179
Deferred Rent	5,730	866
Total Liabilities	556,334	670,108
NET ASSETS		
Unrestricted:		
Operating	848,003	843,594
Property and Equipment	56,690	52,678
Board Designated Strategic Investment Fund	39,512	38,942
Board Designated Long-Term Reserves	4,806,411	4,650,249
Total Unrestricted	5,750,616	5,585,463
Temporarily Restricted	1,338,466	706,298
Permanently Restricted	36,466	36,466
Total Net Assets	7,125,548	6,328,227
Total Liabilities and Net Assets	\$ 7,681,882	\$ 6,998,335

See accompanying Notes to Financial Statements.

**AMERICAN CRAFT COUNCIL
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES				
REVENUE, GAINS AND OTHER SUPPORT				
Contributions	\$ 518,329	\$ 1,184,812	\$ -	\$ 1,703,141
Membership Revenue	713,007	-	-	713,007
Publication Revenue	530,230	-	-	530,230
Show Revenue	2,848,953	-	-	2,848,953
Other Program Revenue	7,060	-	-	7,060
Special Event Revenue (Net of Direct Expenses of \$25,211)	17,239	-	-	17,239
Miscellaneous	5,264	-	-	5,264
	<u>4,640,082</u>	<u>1,184,812</u>	<u>-</u>	<u>5,824,894</u>
Net Assets Released from Restrictions Satisfaction of Time and Program Restrictions	558,627	(558,627)	-	-
Strategic Fund Draw Transferred to Operations	246,000	-	-	246,000
Total Revenue, Gains and Other Support from Operations	<u>5,444,709</u>	<u>626,185</u>	<u>-</u>	<u>6,070,894</u>
EXPENSES				
Program Services:				
Publishing	1,222,031	-	-	1,222,031
Shows	2,373,670	-	-	2,373,670
Library	278,855	-	-	278,855
Education and Other Programs	347,099	-	-	347,099
Membership Services	330,950	-	-	330,950
Total Program Services	<u>4,552,605</u>	<u>-</u>	<u>-</u>	<u>4,552,605</u>
Supporting Services:				
Fundraising	400,108	-	-	400,108
Management and General	484,419	-	-	484,419
Total Supporting Services	<u>884,527</u>	<u>-</u>	<u>-</u>	<u>884,527</u>
Total Expenses	<u>5,437,132</u>	<u>-</u>	<u>-</u>	<u>5,437,132</u>
INCREASE IN NET ASSETS FROM OPERATING ACTIVITIES	7,577	626,185	-	633,762
NONOPERATING ACTIVITIES				
Net Investment Gains	403,576	5,983	-	409,559
Strategic Fund Draw Transferred to Operations	(246,000)	-	-	(246,000)
Increase from Nonoperating Activities	<u>157,576</u>	<u>5,983</u>	<u>-</u>	<u>163,559</u>
INCREASE IN NET ASSETS	165,153	632,168	-	797,321
Net Assets - Beginning of Year	<u>5,585,463</u>	<u>706,298</u>	<u>36,466</u>	<u>6,328,227</u>
NET ASSETS - END OF YEAR	<u>\$ 5,750,616</u>	<u>\$ 1,338,466</u>	<u>\$ 36,466</u>	<u>\$ 7,125,548</u>

See accompanying Notes to Financial Statements.

**AMERICAN CRAFT COUNCIL
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES				
REVENUE, GAINS AND OTHER SUPPORT				
Contributions	\$ 469,299	\$ 175,443	\$ -	\$ 644,742
Membership Revenue	770,035	-	-	770,035
Publication Revenue	543,652	-	-	543,652
Show Revenue	2,903,999	-	-	2,903,999
Other Program Revenue	20,928	-	-	20,928
Special Event Revenue (Net of Direct Expenses of \$43,476)	28,302	-	-	28,302
Miscellaneous	11,411	-	-	11,411
	<u>4,747,626</u>	<u>175,443</u>	<u>-</u>	<u>4,923,069</u>
Net Assets Released from Restrictions Satisfaction of Time and Program Restrictions	710,123	(710,123)	-	-
Strategic Fund Draw Transferred to Operations	362,198	-	-	362,198
Total Revenue, Gains and Other Support from Operations	<u>5,819,947</u>	<u>(534,680)</u>	<u>-</u>	<u>5,285,267</u>
EXPENSES				
Program Services:				
Publishing	1,279,563	-	-	1,279,563
Shows	2,402,518	-	-	2,402,518
Library	329,300	-	-	329,300
Education and Other Programs	528,078	-	-	528,078
Membership Services	305,100	-	-	305,100
Total Program Services	<u>4,844,559</u>	<u>-</u>	<u>-</u>	<u>4,844,559</u>
Supporting Services:				
Fundraising	451,201	-	-	451,201
Management and General	572,232	-	-	572,232
Total Supporting Services	<u>1,023,433</u>	<u>-</u>	<u>-</u>	<u>1,023,433</u>
Total Expenses	<u>5,867,992</u>	<u>-</u>	<u>-</u>	<u>5,867,992</u>
DECREASE IN NET ASSETS FROM OPERATING ACTIVITIES	(48,045)	(534,680)	-	(582,725)
NONOPERATING ACTIVITIES				
Net Investment Losses	(75,892)	(1,098)	-	(76,990)
Strategic Fund Draw Transferred to Operations	(362,198)	-	-	(362,198)
Decrease from Nonoperating Activities	<u>(438,090)</u>	<u>(1,098)</u>	<u>-</u>	<u>(439,188)</u>
DECREASE IN NET ASSETS	(486,135)	(535,778)	-	(1,021,913)
Net Assets - Beginning of Year	<u>6,071,598</u>	<u>1,242,076</u>	<u>36,466</u>	<u>7,350,140</u>
NET ASSETS - END OF YEAR	<u>\$ 5,585,463</u>	<u>\$ 706,298</u>	<u>\$ 36,466</u>	<u>\$ 6,328,227</u>

See accompanying Notes to Financial Statements.

**AMERICAN CRAFT COUNCIL
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 797,321	\$ (1,021,913)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	48,424	67,053
Donated Property and Equipment	(221,829)	-
Realized Gain on Investments	(20,618)	(3,161)
Unrealized (Gain) Loss on Investments	(151,890)	307,032
(Increase) Decrease in:		
Contributions Receivable	(141,087)	497,235
Accounts Receivable	9,544	(43,306)
Prepaid Expenses and Other Assets	(20,110)	25,864
Increase (Decrease) in:		
Accounts Payable	(42,439)	13,781
Accrued Salaries and Time Off	(64,313)	14,527
Deferred Revenue - Membership	17,946	(32,503)
Deferred Revenue - Other	(29,832)	40,780
Deferred Rent	4,864	(2,465)
Net Cash Provided (Used) by Operating Activities	185,981	(137,076)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property and Equipment	(172,607)	(40,920)
Proceeds from Sale of Investments	251,364	232,972
Purchase of Investments	(237,779)	(228,138)
Net Cash Used by Investing Activities	(159,022)	(36,086)
NET CHANGE IN CASH	26,959	(173,162)
Cash - Beginning of Year	357,085	530,247
CASH - END OF YEAR	\$ 384,044	\$ 357,085
SUPPLEMENTAL INFORMATION		
Contributed Securities	\$ 42,735	\$ 53,068
Donated Property and Equipment	\$ 221,829	\$ -

See accompanying Notes to Financial Statements.

**AMERICAN CRAFT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

American Craft Council (the Council) is a national, nonprofit educational organization founded in 1943 by Aileen Osborn Webb. The Council's mission is to champion craft. Programs include the award-winning bimonthly magazine *American Craft*, four annual juried craft shows presenting artists and their work, a specialized library and archive, educational seminars and conferences, and American Craft Council Awards programs honoring excellence in craft.

Contributions and Promises to Give

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Council that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Council uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Accounts Receivable

Accounts past due are individually analyzed for collectability. When all collection efforts have been exhausted, the balance is written off against the related allowance. At September 30, 2016 and 2015, the allowance was \$5,000.

Investments and Fair Value Measurements

The Council reflects investments in marketable securities at fair value in the statement of financial position. Unrealized gains and losses on investments are reflected in the statement of activities. Interest, dividends, gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investment income restricted by the donor is reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the income is recognized.

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 that such changes could materially affect the amounts reported in the statement of financial position.

**AMERICAN CRAFT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Investments and Fair Value Measurements (Continued)

The Council follows accounting standards for fair value. These standards clarify that fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Under these standards, fair value measurements are not adjusted for transaction costs. The standards provide for use of a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three levels.

Unadjusted quoted prices in active markets for identical assets or liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Council. Unobservable inputs reflect the assumptions developed by the Council based on available information about what market participants would use in valuing the asset or liability and are referred to as Level 3.

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets or liabilities.

The Council's investments in corporate bonds are classified within Level 2 of the fair value hierarchy, while marketable certificates of deposit, U.S. Treasury and equity mutual funds are included in Level 1. The values assigned to these investments and any unrealized gains or losses reported are based on available information and do not necessarily represent amounts that might be realized, and such differences could be material. The ultimate realization of such amounts depends on future events and circumstances and, therefore, valuation estimates may differ from the value realized upon disposition of individual positions.

Investment in land is reflected at historical cost.

Property and Equipment

Property and equipment acquired are recorded at cost. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets.

Financial Statement Presentation

The Council reports its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Non-operating activities represent investment income.

**AMERICAN CRAFT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Membership Revenue

Membership revenue consists of dues received from members who receive the *American Craft* magazine and other membership benefits.

The portion of membership revenue considered applicable to future services is reported as deferred membership revenue and recognized as revenue during the period in which the services are provided.

Deferred Revenues

Show and registration revenues are deferred until the period in which the show takes place.

Tax Status

American Craft Council is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

The Council follows the provisions of accounting for uncertainty in income taxes. This standard clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

American Craft Council's tax returns are subject to review by federal and state authorities. American Craft Council is not aware of any activities that would jeopardize its tax-exempt status.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

The Council maintains its cash and cash equivalents in several financial institutions located throughout the country. The balances are insured by various agencies and, at times, exceed the insured limits.

**AMERICAN CRAFT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Functional Expenses

The cost of providing the various programs and the supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

Subsequent Events

American Craft Council has evaluated events and transactions for potential recognition or disclosure in these financial statements through January 31, 2017, the date the financial statements were available to be issued.

NOTE 2 MAJOR SOURCE AND CONCENTRATION OF SUPPORT

As of September 30, 2016 and 2015, 73% and 84% of the Council's pledges receivable was from three donors, respectively.

For the year ended September 30, 2016, 43% of the Council's Contributed Support was from three funders. At September 30, 2015, 45% of the Council's Contributed Support was from three funders for multi-year support.

If these receivables are not collected, or if a significant reduction in the level of this support were to occur, it could have a significant effect on the Council's programs and activities.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable outstanding as of September 30:

	<u>2016</u>	<u>2015</u>
Amounts Due in:		
Less than One Year	\$ 402,267	\$ 298,976
One to Five Years	100,000	55,000
Less : Discount on Long Term Receivables	(7,204)	-
Contributions Receivable	<u>\$ 495,063</u>	<u>\$ 353,976</u>

**AMERICAN CRAFT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following tables present the fair value hierarchy for the balances of financial assets and liabilities the Council measured at fair value on a recurring basis as of:

<u>September, 30, 2016:</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Bonds	\$ -	\$ 156,878	\$ 156,878
Mutual Funds - Fixed Income	937,436	-	937,436
Mutual Funds - Equities	3,677,864	-	3,677,864
Certificates of Deposit	643,935	-	643,935
Total	<u>\$ 5,259,235</u>	<u>\$ 156,878</u>	<u>\$ 5,416,113</u>

Reconciling Items to Investments

Not Included Above:

Land Held	\$ 6,600
Money Market Investments	701,907
Investments as Shown Above	<u>5,416,113</u>
Total Investments, as Reported on the Statement of Financial Position	<u>\$ 6,124,620</u>

<u>September, 30, 2015:</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Bonds	\$ -	\$ 297,759	\$ 297,759
Mutual Funds - Fixed Income	893,242	-	893,242
Mutual Fund Equities	3,357,280	-	3,357,280
Certificates of Deposit	276,143	-	276,143
Total	<u>\$ 4,526,665</u>	<u>\$ 297,759</u>	<u>\$ 4,824,424</u>

Reconciling Items to Investments

Not Included Above:

Land Held	\$ 6,600
Money Market Investments	1,134,673
Investments as Shown Above	<u>4,824,424</u>
Total Investments, as Reported on the Statement of Financial Position	<u>\$ 5,965,697</u>

Net investment income consists of the following:

	<u>2016</u>	<u>2015</u>
Interest and Dividends	\$ 266,639	\$ 256,552
Investment Management Expense	(29,588)	(29,671)
Net Realized Gain	20,618	3,161
Net Unrealized Gain (Loss)	151,890	(307,032)
Total Net Investment Income	<u>\$ 409,559</u>	<u>\$ (76,990)</u>

**AMERICAN CRAFT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 5 NET ASSETS

Unrestricted Property & Equipment Net Assets

As of September 30, 2016 and 2015, there were \$56,690 and \$52,678 of unrestricted property and equipment. Additionally, there were \$342,000 and \$-0- of temporarily restricted net assets that will be released as the assets are depreciated.

Board Designated Reserves

In 1998, the board established a board designated fund to be held as a long-term reserve, primarily with the proceeds the Council received from the sale of a condominium. During 2011, an additional board designated fund was established as a strategic investment fund.

Investment income is allocated to these funds in proportion to their respective investment balances.

Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for future programs and periods and consist of the following:

	2016	2015
Program Restricted:		
Library Programs/Projects	\$ 31,462	\$ 41,685
Awards and Scholarships	121,413	140,208
Other Education Programs	441,671	-
Website Development	431,717	279,089
Time Restricted	312,203	245,316
Total Temporarily Restricted	\$ 1,338,466	\$ 706,298

Permanently Restricted Net Assets

Permanently restricted net assets are restricted by donors for use as an endowment. The income earned on the principal is restricted for certain activities. Permanently restricted net assets consist of the following:

	2016	2015
Permanently Restricted:		
Library Programs/Projects	\$ 27,016	\$ 27,016
Awards and Scholarships	9,450	9,450
Total Permanently Restricted	\$ 36,466	\$ 36,466

**AMERICAN CRAFT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 6 ENDOWMENT FUNDS

The Council's endowment consists of the donor-restricted funds described in Note 5. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Consistent with New York State Not-for-Profit Corporation Law, the Council 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 any 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 the Council.

As of September 30, 2016 and 2015, the Council's invested endowment fund composition, all of which are donor-restricted endowment funds, are summarized as follows by net assets classification for the years ended September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Temporarily Restricted	\$ 36,769	\$ 30,786
Permanently Restricted	36,466	36,466
Total Endowment Funds	<u>\$ 73,235</u>	<u>\$ 67,252</u>

Changes in the Council's invested endowment funds for the years ended September 30, 2016 and 2015 are summarized as follows:

	<u>2016</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, Beginning of Year	\$ 30,786	\$ 36,466	\$ 67,252
Net Investment Income	5,983	-	5,983
Balance, End of Year	<u>\$ 36,769</u>	<u>\$ 36,466</u>	<u>\$ 73,235</u>
	<u>2015</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, Beginning of Year	\$ 31,884	\$ 36,466	\$ 68,350
Net Investment Income	(1,098)	-	(1,098)
Balance, End of Year	<u>\$ 30,786</u>	<u>\$ 36,466</u>	<u>\$ 67,252</u>

**AMERICAN CRAFT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 6 ENDOWMENT FUNDS (CONTINUED)

To satisfy its long-term rate-of-return objectives, the Council 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). The Council 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. As of September 30, 2016 and 2015, there were no underwater endowment funds.

The Council has a policy of appropriating endowment earnings for distribution each year. The current spending policy is to distribute an amount equal to 5% of the average of the fair market value of the fund at the close of the preceding 12 calendar quarters as of June 30 of the prior fiscal year. Accordingly, over the long term, the Council expects the current spending policy to allow its endowment assets to grow at the rate of inflation. This is consistent with the Council's objective to maintain the purchasing power of endowment assets and seek to maximize the amount available for expenditure.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Life	2016	2015
Leasehold Improvements	Life of Lease	\$ 112,351	\$ 112,351
Office Equipment	5 Years	169,408	167,620
Computers	3 Years	129,627	140,861
Website Development	3 Years	<u>363,000</u>	<u>60,000</u>
		774,386	480,832
Less: Accumulated Depreciation and Amortization		<u>(375,696)</u>	<u>(428,154)</u>
Net Property and Equipment		<u>\$ 398,690</u>	<u>\$ 52,678</u>

Depreciation and amortization expense for the years ended September 30, 2016 and 2015 was \$48,424 and \$67,053, respectively.

**AMERICAN CRAFT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 8 LEASE COMMITMENTS

The Council has a lease for office space that began on August 1, 2015 until July 30, 2020. Monthly rent expenses for the new lease agreement range from \$6,662-\$7,662. The lease provides for minimum rental lease payments as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 82,282
2018	84,614
2019	88,611
2020	76,619
Total	<u>\$ 332,126</u>

The Council also leases office space for staff in Brooklyn, New York on a month-to-month basis. Monthly rent expenses at September 30, 2016 were approximately \$1,000.

Rent expense recorded for the years ended September 30, 2016 and 2015 was approximately \$97,000 and \$109,000, respectively.

In addition, beginning in 2011, the Council has capitalized a copier that has been recorded as a capital lease. This capital lease was renewed as of September 20, 2016. The following summarizes the asset covered under the lease at September 30:

	<u>2016</u>	<u>2015</u>
Copier Equipment	\$ 10,004	\$ 8,215
Accumulated Depreciation	-	(8,215)
Net Book Value of Equipment - Capital Lease	<u>\$ 10,004</u>	<u>\$ -</u>

Depreciation expense was \$-0- and \$1,643 for the years ended September 30, 2016 and 2015, respectively.

The lease provides for minimum rental payments as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 2,191
2018	2,191
2019	2,191
2020	2,191
2021	2,191
Total Payments	10,955
Less: Interest Portion	(951)
Total Capital Lease	<u>\$ 10,004</u>

The Council has an operating lease agreement through 2018 for a postage meter. The future commitments for the new lease are approximately \$2,600 per year.

**AMERICAN CRAFT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 9 RETIREMENT PLAN

The Council offers a 401(k) Retirement Plan to allow employees to save for retirement through both pretax and after tax (Roth) elective deferrals. Employees who meet certain eligibility requirements are also eligible to receive dollar-for-dollar matching employer contributions up to 4% of eligible compensation. The Council made matching contributions of \$55,313 and \$46,735 for the years ended September 30, 2016 and 2015, respectively.

NOTE 10 CONTINGENT GIFT

During the year ended September 30, 2015, a contingent gift was received that would match contributions, dollar for dollar, up to \$50,000 to help fund new staff positions to be added in fiscal year 2016. The contingencies were met in the year ending September 30, 2016 and a contribution was recorded.