
**COCA - CENTER OF
CREATIVE ARTS**
FINANCIAL STATEMENTS
AUGUST 31, 2018



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RubinBrown LLP
Certified Public Accountants &
Business Consultants

One North Brentwood
Saint Louis, MO 63105

T 314.290.3300
F 314.290.3400

W rubinbrown.com
E info@rubinbrown.com

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, 2018 and 2017, 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, 2018 and 2017, 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

March 18, 2019

COCA - CENTER OF CREATIVE ARTS

STATEMENT OF FINANCIAL POSITION

August 31, 2018 And 2017

	Assets			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted	2018	2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	2018	2017
Cash and cash equivalents	\$ 1,740,181	\$ 5,635,941	\$ —	\$ 7,376,122	\$ 3,961,652
Cash and cash equivalents - board designated capital building reserve	507,118	—	—	507,118	503,586
Accounts receivable	51,163	—	—	51,163	18,114
Promises to give	—	15,491,300	—	15,491,300	12,984,036
Prepaid expenses	165,554	—	—	165,554	79,416
Property and equipment	982,305	5,985,270	—	6,967,575	7,218,224
Artwork	—	—	—	—	41,801
Assets restricted and/or designated for endowment	516,684	1,067,554	2,805,675	4,389,913	4,185,170
Total Assets	\$ 3,963,005	\$ 28,180,065	\$ 2,805,675	\$ 34,948,745	\$ 28,991,999

Liabilities And Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 1,131,506	\$ —	\$ —	\$ 1,131,506	\$ 560,613
Deferred revenue	275,189	—	—	275,189	282,249
Total Liabilities	1,406,695	—	—	1,406,695	842,862

Net Assets

Unrestricted:					
Undesignated	550,203	—	—	550,203	575,503
Board designated endowment	516,684	—	—	516,684	498,800
Board designated capital building reserve	507,118	—	—	507,118	503,586
Investment in property and equipment	982,305	—	—	982,305	1,122,700
Total unrestricted	2,556,310	—	—	2,556,310	2,700,589
Temporarily restricted	—	28,180,065	—	28,180,065	22,677,378
Permanently restricted	—	—	2,805,675	2,805,675	2,771,170
Total Net Assets	2,556,310	28,180,065	2,805,675	33,542,050	28,149,137
Total Liabilities And Net Assets	\$ 3,963,005	\$ 28,180,065	\$ 2,805,675	\$ 34,948,745	\$ 28,991,999

COCA - CENTER OF CREATIVE ARTS

STATEMENT OF ACTIVITIES For The Year Ended August 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support				
Contributions and grants - operations	\$ 147,171	\$ 1,914,610	\$ 35,805	\$ 2,097,586
Contributions and grants - Create Our Future Campaign	—	11,085,754	—	11,085,754
Youth Opportunities Program contributions	—	287,878	—	287,878
Neighborhood Assistance Program contributions	—	500,000	—	500,000
Adjustment to discount on long-term promises to give	—	(353,700)	(1,300)	(355,000)
Total contributions and grants	147,171	13,434,542	34,505	13,616,218
Fundraising event revenue	899,473	—	—	899,473
Costs of direct benefits to donors	(305,923)	—	—	(305,923)
Net revenues from fundraising events	593,550	—	—	593,550
Total Support	740,721	13,434,542	34,505	14,209,768
Revenue And Gains				
Program revenues:				
Education (net of \$220,347 of scholarships)	993,963	—	—	993,963
Camps	755,218	—	—	755,218
COCAedu	190,330	—	—	190,330
Productions and exhibits	266,024	—	—	266,024
COCAbiz	190,271	—	—	190,271
Interest and dividends	49,944	48,421	—	98,365
Unrealized gain on investments	29,375	215,124	—	244,499
Realized gain on investments	6,652	49,232	—	55,884
Miscellaneous	12,109	—	—	12,109
Total Revenue And Gains	2,493,886	312,777	—	2,806,663
Net Assets Released From Restrictions	7,910,073	(7,910,073)	—	—
Appropriation Of Endowment Investment Earnings	160,423	(160,423)	—	—
Total Support, Revenue And Gains	11,305,103	5,676,823	34,505	17,016,431
Expenses And Losses				
Program:				
Education	1,658,500	—	—	1,658,500
Camps	775,232	—	—	775,232
COCAedu	557,299	—	—	557,299
Productions and exhibits	875,981	—	—	875,981
COCAbiz	333,199	—	—	333,199
Total Program Expenses	4,200,211	—	—	4,200,211
Management and general	910,254	—	—	910,254
Fundraising:				
Fundraising events	60,652	—	—	60,652
Create Our Future Campaign	666,946	—	—	666,946
Development	608,917	—	—	608,917
Total Expenses	6,446,980	—	—	6,446,980
Loss on disposal of artwork	41,801	—	—	41,801
Loss on disposal and impairment of property and equipment (Notes 1 and 6)	4,960,601	—	—	4,960,601
Loss on uncollectible promises to give	—	174,136	—	174,136
Total Expenses And Losses	11,449,382	174,136	—	11,623,518
Increase (Decrease) In Net Assets	(144,279)	5,502,687	34,505	5,392,913
Net Assets - Beginning Of Year	2,700,589	22,677,378	2,771,170	28,149,137
Net Assets - End Of Year	\$ 2,556,310	\$ 28,180,065	\$ 2,805,675	\$ 33,542,050

COCA - CENTER OF CREATIVE ARTS

STATEMENT OF ACTIVITIES For The Year Ended August 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support				
Contributions and grants - operations	\$ 113,407	\$ 1,570,715	\$ 55,566	\$ 1,739,688
Contributions and grants - Create Our Future Campaign	—	5,986,531	—	5,986,531
Contributions and grants - capital	—	7,500	—	7,500
Youth Opportunities Program contributions	—	156,244	—	156,244
Adjustment to discount on long-term promises to give	—	91,000	—	91,000
Total contributions and grants	113,407	7,811,990	55,566	7,980,963
Fundraising event revenue	942,031	10,000	—	952,031
Costs of direct benefits to donors	(355,415)	—	—	(355,415)
Net revenues from fundraising events	586,616	10,000	—	596,616
Total Support	700,023	7,821,990	55,566	8,577,579
Revenue And Gains (Losses)				
Program revenues:				
Education (net of \$251,916 of scholarships)	964,435	—	—	964,435
Camps	677,318	—	—	677,318
COCAedu	182,670	—	—	182,670
Productions and exhibits	245,209	—	—	245,209
COCAbiz	139,321	—	—	139,321
Interest and dividends	6,499	47,490	—	53,989
Unrealized gain on investments	38,557	272,207	—	310,764
Realized loss on investments	(1,201)	(7,457)	(1,878)	(10,536)
Change in value of split-interest agreement	—	—	19,553	19,553
Miscellaneous	13,531	—	—	13,531
Total Revenue And Gains (Losses)	2,266,339	312,240	17,675	2,596,254
Net Assets Released From Restrictions	3,085,765	(3,085,765)	—	—
Appropriation Of Endowment Investment Earnings	157,750	(157,750)	—	—
Total Support, Revenue And Gains (Losses)	6,209,877	4,890,715	73,241	11,173,833
Expenses And Losses				
Program:				
Education	1,523,809	—	—	1,523,809
Camps	723,331	—	—	723,331
COCAedu	515,306	—	—	515,306
Productions and exhibits	754,366	—	—	754,366
COCAbiz	290,715	—	—	290,715
Total Program Expenses	3,807,527	—	—	3,807,527
Management and general	854,140	—	—	854,140
Fundraising:				
Fundraising events	85,612	—	—	85,612
Create Our Future Campaign	498,592	—	—	498,592
Development	629,390	—	—	629,390
Total Expenses	5,875,261	—	—	5,875,261
Loss on uncollectible promises to give	—	222,946	—	222,946
Total Expenses And Losses	5,875,261	222,946	—	6,098,207
Increase In Net Assets	334,616	4,667,769	73,241	5,075,626
Net Assets - Beginning Of Year	2,365,973	18,009,609	2,697,929	23,073,511
Net Assets - End Of Year	\$ 2,700,589	\$ 22,677,378	\$ 2,771,170	\$ 28,149,137

COCA - CENTER OF CREATIVE ARTS

STATEMENT OF CASH FLOWS

	For The Years Ended August 31,	
	2018	2017
Cash Flows From Operating Activities		
Increase in net assets	\$ 5,392,913	\$ 5,075,626
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Unrealized gain on investments	(244,499)	(310,764)
Realized (gain) loss on investments	(55,884)	10,536
Change in value of split-interest agreement	—	(19,553)
Depreciation	476,015	383,833
Contributions restricted for Create Our Future Campaign	(10,747,754)	(6,068,531)
Contributions restricted for endowment	(34,505)	(55,566)
Contributions restricted for capital	(500,000)	(8,500)
Donated capital expenditures	(157,000)	(67,000)
Loss on disposal of artwork	41,801	—
Loss on disposal of property and equipment	4,960,601	—
Loss on uncollectible promises to give	174,136	222,946
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(33,049)	4,626
Increase in promises to give	(479,030)	(47,830)
Increase in prepaid expenses	(86,138)	(37,059)
Increase (decrease) in accounts payable and accrued expenses	120,257	(210,109)
Increase (decrease) in deferred revenue	(7,060)	3,075
Net Cash Used In Operating Activities	(1,179,196)	(1,124,270)
Cash Flows From Investing Activities		
Purchases of investments	(297,511)	(4,800,178)
Proceeds from sale of investments	333,351	4,873,331
Proceeds from sale of property and equipment	300	—
Capital expenditures	(4,578,631)	(651,377)
Net Cash Used In Investing Activities	(4,542,491)	(578,224)
Cash Flows From Financing Activities		
Proceeds received from contributions restricted for endowment	94,305	55,566
Proceeds received from contributions restricted for Create Our Future Campaign	8,545,384	3,544,102
Proceeds received from contributions restricted for capital	500,000	18,778
Net Cash Provided By Financing Activities	9,139,689	3,618,446
Net Increase In Cash And Cash Equivalents	3,418,002	1,915,952
Cash And Cash Equivalents - Beginning Of Year	4,465,238	2,549,286
Cash And Cash Equivalents - End Of Year	\$ 7,883,240	\$ 4,465,238
Supplemental Disclosure Of Cash Flow Information		
Capital expenditures included in accounts payable and accrued expenses	\$ 756,486	\$ 305,850

COCA - CENTER OF CREATIVE ARTS

NOTES TO FINANCIAL STATEMENTS

August 31, 2018 And 2017

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 to be 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, 2018 was approximately \$7,118,000.

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 its 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.

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 uncollectible 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.

Assets Restricted/Designated For Endowment (Investments)

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 fair 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, which is computed using the straight-line method over the following periods:

Building and building improvements	31.5 years
Courtyard improvements and landscaping	15 - 20 years
Furniture and fixtures	3 - 15 years
Vehicles	5 - 7 years

COCA reviews the carrying value of its property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use or eventual disposition. No impairment loss was recognized in 2017. An impairment loss of \$557,402 was recognized in 2018 and is included in loss on disposal of property and equipment on the statement of activities.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (*Continued*)

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. During 2018, the artwork held by COCA was disposed of during construction, which resulted in a loss of \$41,801 recognized for the year ended August 31, 2018.

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.

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 lives of the assets.

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 offsite locations.

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.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (*Continued*)

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 and 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.

Productions And Exhibits

Comprised of original COCA productions and the best touring companies from around the world, COCA offers the highest caliber, cross-disciplinary, live theatre performances for our St. Louis audiences. With access as a core value, COCA 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. Additionally, includes expenditures that enable COCA to exhibit local and nationally recognized artists in its gallery.

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 (479 and 456 in 2018 and 2017, respectively) have also donated a significant amount of their time (8,106 and 7,461 hours in 2018 and 2017, 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 \$164,104 for 2018 and \$155,517 for 2017.

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.

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.

Launched quietly in early 2015, COCA launched the Create Our Future Campaign, with the goal of raising \$45 million to support the construction of a facility expansion as well as build capital reserves and endowment funds for scholarships, support services, artistic and educational programming. This ambitious project positions COCA to meet evolving community needs and serve its growing student base, while also sustaining its long-term commitment to ensuring access.

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:

	2018			
	Create Our Future			Total
	Operating	Campaign	Endowment	
Less than one year	\$ 960,625	\$ 3,344,148	\$ 1,500	\$ 4,306,273
One - five years	384,333	9,460,694	15,000	9,860,027
More than five years	—	3,100,000	—	3,100,000
	1,344,958	15,904,842	16,500	17,266,300
Less: Discount to record at present value	28,500	1,365,000	1,300	1,394,800
Less: Allowance for doubtful promises to give	28,000	337,000	—	365,000
	\$ 1,288,458	\$ 14,202,842	\$ 15,200	\$ 15,506,500

	2017			
	Create Our Future			Total
	Operating	Campaign	Endowment	
Less than one year	\$ 674,728	\$ 3,259,411	\$ 75,000	\$ 4,009,139
One - five years	175,500	9,349,197	—	9,524,697
More than five years	—	850,000	—	850,000
	850,228	13,458,608	75,000	14,383,836
Less: Discount to record at present value	12,800	1,027,000	—	1,039,800
Less: Allowance for doubtful promises to give	17,000	268,000	—	285,000
	\$ 820,428	\$ 12,163,608	\$ 75,000	\$ 13,059,036

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>2018</u>	<u>2017</u>
Promises to give	\$ 15,491,300	\$ 12,984,036
Assets restricted/designated for endowment (Note 5)	15,200	75,000
	<u>\$ 15,506,500</u>	<u>\$ 13,059,036</u>

During 2017, COCA received a commitment from a donor to match qualifying contributions to COCA's Create Our Future Campaign if \$5,000,000 was raised by September 30, 2017. Qualifying contributions were defined as gifts to the Create Our Future Campaign of \$25,000 or more made by September 30, 2017. As of August 31, 2017, \$833,333 had been received; however, the remainder of the gift remained conditional and was not included in promises to give. During 2018, COCA met the conditions of this gift by raising \$5,000,000 of qualifying contributions and the remaining conditional amount was recognized as contribution revenue and collected in full during the year ended August 31, 2018.

In addition, as of August 31, 2018 and 2017, COCA had donor commitments to be paid from donor-advised funds and community foundations totaling approximately \$335,000 and \$210,000, respectively. As these donors do not have sole discretion over the distributions of the funds in these accounts, COCA has not recognized these commitments. Contribution revenue will be recognized when the distributions are received.

4. Prepaid Expenses

Prepaid expenses consist of:

	<u>2018</u>	<u>2017</u>
Prepaid insurance	\$ 36,325	\$ 32,987
Prepaid program expenses	57,715	44,608
Prepaid debt issuance costs	67,148	—
Other	4,366	1,821
	<u>\$ 165,554</u>	<u>\$ 79,416</u>

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (Continued)

5. Assets Restricted And/Or Designated For Endowment

Assets restricted and/or designated for endowment (investments) consist of:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	\$ 40,386	\$ 40,447	\$ 80,400	\$ 80,454
Fixed income mutual funds				
Global high yield	37,000	36,535	37,000	37,646
International developed	151,407	155,413	151,407	154,759
Investment grade taxable	773,315	742,069	773,315	774,097
Hedge funds				
Market neutral	129,400	132,571	129,400	134,351
Managed futures	37,000	34,285	37,000	33,865
Long/short equity	120,200	137,397	120,200	131,153
Nontraditional bond	46,100	44,315	46,100	48,650
Equity mutual funds				
U.S. large cap	866,774	1,109,570	842,098	954,897
U.S. mid cap	516,382	649,447	516,382	562,568
U.S. small cap	460,874	549,239	400,468	418,135
International developed	425,309	484,665	443,494	507,725
Emerging markets	215,303	258,760	222,142	271,870
	\$ 3,819,450	\$ 4,374,713	\$ 3,799,406	\$ 4,110,170

At August 31, 2018 and 2017, assets restricted and/or designated for endowment also include promises to give in the amount of \$15,200 and \$75,000, respectively (Note 3).

During 2018 and 2017, unrealized gains of \$244,499 and \$310,764, respectively, were recorded to adjust the investments to fair value.

Interest and dividends were reported net of fees. Investment fees totaled \$26,001 and \$23,535 in 2018 and 2017, respectively.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (*Continued*)

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:

- 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.

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.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (Continued)

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

Mutual Funds And Hedge Funds

Valued at the daily closing price as reported by the fund. Mutual and hedge 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 2018 and 2017, 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>2018</u>	<u>2017</u>
Land	\$ 424,556	\$ 424,556
Building and building improvements	5,622,296	10,258,122
Courtyard improvements and landscaping	77,810	60,218
Furniture and fixtures	1,029,905	1,259,530
Vehicles	81,503	109,937
Construction in progress	2,340,501	1,471,663
	<u>9,576,571</u>	<u>13,584,026</u>
Less: Accumulated depreciation	2,608,996	6,365,802
	<u>\$ 6,967,575</u>	<u>\$ 7,218,224</u>

Depreciation charged against revenues amounted to \$476,015 in 2018 and \$383,833 in 2017.

Included in building and building improvements at August 31, 2018 and 2017 is capitalized interest in the amount of \$76,036.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (*Continued*)

Facility expansion funded by the Create Our Future Campaign includes renovations of the Kuehner West Wing facilities, which were completed in June 2018, and construction of the new Ferring East Wing facilities, which commenced in August 2018 and is scheduled to be completed in February 2020. As a result of these completed and ongoing construction projects, a significant amount of property and equipment was disposed of during 2018, resulting in a loss on disposal of property and equipment of \$ 4,403,199 for the year ending August 31, 2018. No such loss was recognized in 2017.

Capital Commitments

In conjunction with the facility expansion noted above, COCA has entered into a professional design services contract with an unrelated party in the amount of \$2,709,517. At August 31, 2018 and 2017, \$2,709,517 and \$1,285,263, respectively, of cumulative contract commitments have been incurred.

In addition, during 2018, COCA entered into a construction services contract with an unrelated party in the amount of approximately \$26,444,000. At August 31, 2018, \$3,313,144 of cumulative 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 lender's prime rate. Interest only payments are required until the line of credit matures on March 31, 2019. There was no outstanding balance on the line of credit at August 31, 2018 or 2017, and no related interest expense in 2018 or 2017. Subsequent to August 31, 2018, COCA cancelled this line of credit and took out a new line of credit in conjunction with the New Markets Tax Credit (NMTC) transaction (Note 13).

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (Continued)

8. Charitable Remainder Trust

During 1997, COCA was named as the trustee and beneficiary of a charitable remainder trust. Under the trust agreement, COCA paid the donor semiannual installments totaling \$9,375. Upon termination of the trust, COCA would receive the assets remaining in the trust, which were to be held as a part of COCA's endowment and used to support outreach programs. The assets held in trust were recorded by COCA at fair value. During 2017, the trust terminated and COCA received a distribution of the remaining trust balance of \$78,375, which was included in assets restricted/designated for endowment as of August 31, 2017. For the year ended August 31, 2017, the change in value of split-interest agreement based on actuarial assumptions amounted to \$19,553. Realized gains earned on the assets held in the trust during 2017 amounted to \$1,878.

9. Net Assets

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

	<u>2018</u>	<u>2017</u>
Temporarily restricted property and equipment		
Access to Excellence	\$ —	\$ 4,316,224
Neighborhood Assistance Program	500,000	—
Create Our Future Campaign	2,957,159	—
Temporarily restricted construction in progress		
Create Our Future Campaign	2,340,501	1,471,663
Create Our Future Campaign	19,619,389	14,542,977
Capital project fund	187,610	307,637
COCAbiz	40,000	40,000
COCAedu	328,716	270,448
Productions and exhibits	177,111	171,952
FLAME event	—	20,000
General operations/Leadership Circle	615,299	406,878
Preprofessional support services	171,528	212,991
Unappropriated endowment investment earnings (Note 13)	1,067,554	915,200
Youth Opportunities Program	147,698	1,408
Camps	27,500	—
	<u>\$ 28,180,065</u>	<u>\$ 22,677,378</u>

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (*Continued*)

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

	<u>2018</u>	<u>2017</u>
Temporarily restricted property and equipment and construction in progress		
Access to Excellence	\$ 4,316,224	\$ 493,701
Create Our Future Campaign	713,068	—
Create Our Future Campaign	969,141	558,620
Capital project fund	120,027	55,073
COCAbiz	57,500	58,625
COCAedu	403,225	361,648
Productions and exhibits	229,452	294,823
FLAME event	20,000	—
General operations/Leadership Circle	720,890	681,395
Innovation grant	—	57,204
Preprofessional support services	181,283	258,314
Youth Opportunities Program	141,588	226,562
Camps	37,675	39,800
	<u>\$ 7,910,073</u>	<u>\$ 3,085,765</u>

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

	<u>2018</u>	<u>2017</u>
Janet and Bernard Becker Fund for Outreach	\$ 1,060,383	\$ 1,060,383
COCA endowment	420,000	420,000
Productions and Exhibits 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	263,150
Riven Family endowment	44,000	40,000
Rosalyn and Manny Rosenthal endowment	100,000	100,000
Scholarships and outreach endowment	145,192	144,562
Peter Witte endowment	101,735	76,860
Kathryn D. Cramer scholarship endowment	55,000	50,000
William Randolph Hearst outreach endowment	300,000	300,000
Wilma Messing scholarship endowment	224,450	224,450
	<u>\$ 2,805,675</u>	<u>\$ 2,771,170</u>

10. In-Kind Contributions

Contributions and grants include in-kind contributions for travel, hospitality, capital expenditures and direct fundraising events production expenses of \$302,437 and \$229,395 for the years ended August 31, 2018 and 2017, 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.

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.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (*Continued*)

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, 2018 or 2017. 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 underwater 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 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. Desired asset allocation ranges include 0% - 20% cash, 54% - 84% equity securities, 16% - 46% fixed income securities, 0% - 16% hedge funds, 0% - 16% real estate securities and 0% - 6% tangible assets.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (Continued)

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. For the years ended August 31, 2018 and 2017, the Board of Directors adopted a spending rule such that 5% of the rolling average of the past three December 31 balances of endowment assets was distributed. The Board of Directors adopted a spending rule such that 5% of the rolling average of the past five December 31 balances of endowment assets will be distributed beginning with the year ended August 31, 2019.

At August 31, 2018 and 2017, COCA had the following endowment funds:

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ —	\$ 1,067,554	\$ 2,790,475	\$ 3,858,029
Board-designated endowment funds	516,684	—	—	516,684
	<u>\$ 516,684</u>	<u>\$ 1,067,554</u>	<u>\$ 2,790,475</u>	<u>\$ 4,374,713</u>

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ —	\$ 915,200	\$ 2,696,170	\$ 3,611,370
Board-designated endowment funds	498,800	—	—	498,800
	<u>\$ 498,800</u>	<u>\$ 915,200</u>	<u>\$ 2,696,170</u>	<u>\$ 4,110,170</u>

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (Continued)

Changes in these endowment funds for the years ended August 31, 2018 and 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance - September 1, 2016	\$ 479,903	\$ 760,710	\$ 2,647,939	\$ 3,888,552
Net investment income and investment gains (losses)	41,147	312,240	(1,878)	351,509
Proceeds from contributions restricted for endowment	—	—	55,566	55,566
Payment on trust liability obligation	—	—	(5,457)	(5,457)
Appropriation of endowment assets for expenditure	(22,250)	(157,750)	—	(180,000)
Balance - August 31, 2017	498,800	915,200	2,696,170	4,110,170
Net investment income and investment gains	39,462	312,777	—	352,239
Proceeds from contributions restricted for endowment	—	—	94,305	94,305
Appropriation of endowment assets for expenditure	(21,578)	(160,423)	—	(182,001)
Balance - August 31, 2018	\$ 516,684	\$ 1,067,554	\$ 2,790,475	\$ 4,374,713

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (Continued)

12. Commitments

On December 22, 2017, COCA entered into an agreement with Washington University to lease a portion of a parking garage. The annual rent payments have been determined based on the initial period base rent commitment amortized on a straight-line basis over 30 years with an interest rate of 4%. The initial period base rent commitment is equal to \$6,970,216 plus 80.67% of the amount of capitalized interest incurred by Washington University during the period of construction of the garage. Monthly rent payments began when the garage was placed in service on June 1, 2018 and will continue through June 1, 2048. In addition to the base rent, COCA will pay additional rent equal to its pro rata share of the operating expenses of the garage.

For the year ended August 31, 2018, rent expense recognized under the lease totaled \$69,216.

Minimum future lease payments for each of the next five years and in the aggregate thereafter are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 415,296
2020	415,296
2021	415,296
2022	415,296
2023	415,296
Thereafter	10,313,187
	<u>\$ 12,389,667</u>

13. Subsequent Events

On December 6, 2018, COCA entered into a New Markets Tax Credit (NMTC) transaction to provide funds, along with COCA's Create Our Future Campaign, to support the construction of COCA's facility expansion.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (*Continued*)

As a result of this transaction, two new not-for-profit organizations were established - COCA Leverage Lender, Inc. (Leverage Lender) and COCA QALICB, Inc. (QALICB). The Leverage Lender will act as a financial conduit for COCA to make investments supporting this project. The QALICB will complete construction and hold title to the facility expansion as well as lease said facility to COCA. The QALICB will operate in such a way that it qualifies as a Qualified Active Low-Income Community Business under the definition of the NMTC Program under Internal Revenue Code (IRC) §45(d). Given an economic interest as well as a majority overlap of Board members between COCA and these entities, these entities will be consolidated with COCA for future financial reporting.

To fund the Qualified Equity Investment (QEI) made by USBCDC Investment Fund 261, LLC (the Investment Fund) to the sub-CDEs as described below, which subsequently provides the needed financing to be provided to the QALICB, the Leverage Lender loaned \$10,481,400 to the Investment Fund. The note accrues interest at an annual rate of 1%, with quarterly payments of accrued interest due. Commencing December 14, 2025, quarterly principal and interest payments of \$126,814 shall be due with the final payment of principal and accrued interest due on the note's maturity on December 5, 2048. The note is secured primarily by the Investment Fund's membership interest in USBCDE Sub-CDE 181, LLC (USBCDE Sub-CDE), IFF Capital 29 LLC (IFF Sub-CDE), and NCIF New Markets Capital Fund XXXIII CDE, LLC (NCIF Sub-CDE).

From this QEI, loan financing is being provided by USBCDE Sub-CDE, IFF Sub-CDE, and NCIF Sub-CDE (collectively, the sub-CDEs) to the QALICB to finance the facility expansion. Collectively, these loans are secured by the QALICB's personal and fixture property at the facility expansion and the balance in the QALICB's Disbursement Account (the Joint Collateral). In addition, on behalf of the QALICB, COCA has guaranteed interest payments on these loans as well as other guarantees to the sub-CDEs. On a quarterly basis, the QALICB must certify to the sub-CDEs the QALICB's compliance with NMTC compliance requirements, including that the QALICB remains a Qualified Active Low-Income Community Business.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (*Continued*)

This loan financing consists of the following:

- Two loans in the amounts of \$3,703,428 and \$1,543,572 with IFF Sub-CDE. In addition to the Joint Collateral, these loans are also secured by an IFF CDE Reserve. This IFF CDE Reserve, which had an original balance of \$325,981, shall be utilized to pay a portion of debt service payments as well as IFF Sub-CDE fee reimbursements. Both loans bear interest at 1.178% per annum with quarterly interest payments due. Commencing December 1, 2025, quarterly principal and interest payments on the two loans of \$45,711 and \$19,052, respectively, shall be due, with final principal and interest payments due upon the loans' maturity on December 5, 2048. The loans may not be prepaid in whole or in part at any time prior to December 5, 2025.
- Two loans in the amounts of \$2,795,040 and \$1,164,960 with USBCDE Sub-CDE. Both loans bear interest at 1.178% per annum with quarterly interest payments due. Commencing December 1, 2025, quarterly principal and interest payments on the two loans of \$34,520 and \$14,379, respectively, shall be due, with final principal and interest payments due upon the loans' maturity on December 5, 2048. The loans may not be prepaid in whole or in part at any time prior to December 5, 2025.
- Two loans in the amounts of \$3,982,932 and \$1,546,068 with NCIF Sub-CDE. In addition to the Joint Collateral, these loans are also secured by an NCIF CDE Reserve. This NCIF CDE Reserve, which had an original balance of \$265,508, shall be utilized to pay a portion of debt service payments as well as NCIF Sub-CDE fee reimbursements. Both loans bear interest at 1.178% per annum with quarterly interest payments due. Commencing December 1, 2025, quarterly principal and interest payments on the two loans of \$49,161 and \$19,083, respectively, shall be due, with final principal and interest payments due upon the loans' maturity on December 5, 2048. The loans may not be prepaid in whole or in part at any time prior to December 5, 2025.

In addition to the financing provided by the sub-CDEs, Legacy Bank also issued a \$2,000,000 loan to the QALICB. This loan bears interest at 6.5% and is secured by a deed of trust, security agreement, assignment of leases and rent, and fixture filing and a guarantee by COCA. For the twelve month period commencing on the first loan disbursement, interest-only payments are due monthly. After this interest-only period, monthly payments of principal and interest of \$14,911 are due. All remaining principal and accrued interest is payable upon the loan's maturity on December 6, 2025.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (*Continued*)

COCA has also entered into a revolving line-of-credit with Regions Bank to fund construction costs associated with the facility expansion. This agreement requires the total principal outstanding at any time to not exceed the lesser of a) the Borrowing Base or b) the Commitment Amount. The Borrowing Base shall equal (a)(i) 100% of the total amount of outstanding Create Our Future Campaign pledges, (ii) 100% of the total amount of outstanding Create Our Future Campaign pledges received after the date hereof by donors with a history of donating to COCA for at least five years, (iii) 80% of the total amount of outstanding Create Our Future Campaign pledges received after the date hereof by donors with a history of donating to COCA for less than five years (collectively, the Capital Campaign Pledges) and (iv) 100% of cash received from these Capital Campaign Pledges and on deposit at Regions Bank, less (b)(i) all Capital Campaign Pledges deemed ineligible by Regions Bank in its reasonable discretion, (ii) planned gifts to the extent included in Capital Campaign Pledges, (iii) in kind Capital Campaign Pledges, (iv) endowment Capital Campaign Pledges, and (v) any Excess Pledge Payments, all as set forth on COCA's most recent monthly Capital Campaign Pledge Report. The Commitment Amount is \$14,000,000 for the period December 5, 2018 to June 30, 2019, \$13,500,000 for the period July 1, 2019 to June 30, 2020, \$10,500,000 for the period July 1, 2020 to June 30, 2021, \$7,500,000 for the period July 1, 2021 to June 30, 2022, \$4,500,000 for the period July 1, 2022 to June 30, 2023, \$2,500,000 for the period July 1, 2023 to June 30, 2024, \$2,250,000 for the period July 1, 2024 to June 30, 2025, and \$1,250,000 for the period July 1, 2025 and thereafter. Quarterly, COCA must certify that the amount of the loan outstanding is less than the calculated Borrowing Base. The loan will bear interest at the LIBOR rate and is secured by COCA's Capital Campaign Pledges and Pledge Account. Monthly interest-only payments are due until the loan's maturity on January 1, 2026 at which time all outstanding principal and interest shall be due.

The transaction also includes a guaranty agreement on behalf of the Investment Fund and an Investment Fund Put and Call Agreement. The QALICB is a Qualified Active Low-Income Community Business. As a result, COCA, the Leverage Lender and the QALICB (collectively, the Guarantors) guarantee NMTC compliance in connection with the loans obtained from the sub-CDEs to prevent recapture of these credits. This guarantee will be up to the full amount of any recapture and/or lost credits, including interest and penalties thereon. In addition, the Guarantors have made other guarantees for the benefit of the Investment Fund, such as payment of the NMTC Guaranteed Amount and environmental indemnification. The maximum potential amount of future payments cannot readily be determined due to the nature of these guarantees.

COCA - CENTER OF CREATIVE ARTS

Notes To Financial Statements (*Continued*)

Following the earlier of (a) the seventh anniversary of the date of the last qualified equity investment made by the Investment Fund with respect to any qualified low-income community investment in the QALICB, and (b) the date that a Recapture Event has occurred, the Investment Fund shall have the right and option, but not the obligation, to require the Leverage Lender to purchase all of the Investment Fund's interest in the sub-CDEs. The purchase price for the Investment Fund's interest shall be \$1,000 plus any further amounts payable to the Investment Fund as defined in the Investment Fund Put and Call Agreement. The Investment Fund shall have 180 days to exercise its option. Provided the Investment Fund has not exercised its option, the Leverage Lender shall have the right and option, but not the obligation, to purchase all of the Investment Fund's interest for 180 days. If the Leverage Lender exercises its option, the purchase price for the Investment Fund's interest shall be an amount equal to the fair market value of the Investment Fund's interest as defined in the Investment Fund Put and Call Agreement. These options are expected to be exercised and will ultimately result in the Leverage Lender owning the Investment Fund's interest in the sub-CDEs, including the debt to the QALICB. This ownership acquisition will allow the Leverage Lender to "collapse" the NMTC deal, repaying all outstanding obligations with no additional capital outlay.

Following the completion of construction on the facility expansion, expected in February 2020, COCA will lease this expanded facility from the QALICB under a 25-year lease agreement, expiring December 31, 2044. In addition to the quarterly base rent, COCA will also pay for utilities, insurance, repairs and maintenance at the leased facility.

In addition, within this leased facility, COCA will sub-lease a studio to another not-for-profit organization under a 30-year lease agreement commencing when the facility expansion is placed in service, with the option to extend for one additional 30-year period. For the initial 30-year term, base rent will be based on the tenant's pro-rata share of the approved construction budget, payable in two equal installments. The first installment is due 30 days after the execution of the lease agreement on February 9, 2019 and the second installment is due on the date the facility expansion is placed in service. Base rent for the initial term is \$1,852,616. In addition to the base rent, the tenant will also pay additional rent equal to the tenant's pro-rata share (which amounts to 3.717%) of the operating expenses of the facility expansion as determined annually.

In March 2019, COCA also executed an agreement to purchase a piece of adjunct property for \$575,000.

Management has evaluated subsequent events through the date the financial statements are available for issue, which is the date of the Independent Auditors' Report.



RubinBrown LLP
Certified Public Accountants &
Business Consultants

One North Brentwood
Saint Louis, MO 63105

T 314.290.3300
F 314.290.3400

W rubinbrown.com
E info@rubinbrown.com

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, 2018 and 2017, and our report thereon dated March 18, 2019, 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

March 18, 2019

COCA - CENTER OF CREATIVE ARTS

SCHEDULE OF FUNCTIONAL EXPENSES

For The Year Ended August 31, 2018

	Program						Fundraising					
				Productions			Management And General	Create Our			Total	Total
	Education	Camps	COCAedu	And Exhibits	COCAbiz	Total		Fundraising Events	Future Campaign	Development		
Salaries and wages	\$ 858,858	\$ 359,035	\$ 363,273	\$ 297,196	\$ 204,640	\$ 2,083,002	\$ 372,225	\$ —	\$ 479,436	\$ 429,479	\$ 908,915	\$ 3,364,142
Consultants	8,400	54,712	47,408	66,854	9,172	186,546	2,489	—	38,755	11,800	50,555	239,590
Health insurance	23,820	4,178	6,685	1,980	8,049	44,712	13,128	—	12,185	15,892	28,077	85,917
Payroll taxes	63,720	29,903	28,240	23,825	15,761	161,449	29,895	—	33,724	31,912	65,636	256,980
Advertising and marketing	36,432	29,420	3,938	52,878	12,301	134,969	20,555	—	34,269	8,580	42,849	198,373
Artist accommodations and hospitality	—	10,624	—	42,051	3,791	56,466	—	—	—	—	—	56,466
Artist fees	—	—	3,700	54,800	25,250	83,750	—	—	—	—	—	83,750
Bad debt expense	—	—	—	—	—	—	2,169	—	—	—	—	2,169
Building occupancy	202,135	130,125	17,771	79,437	18,354	447,822	21,598	—	711	18,217	18,928	488,348
Depreciation	245,784	59,981	21,153	90,925	15,866	433,709	21,153	—	—	21,153	21,153	476,015
Donor cultivation	—	—	—	—	—	—	—	—	19,151	29,112	48,263	48,263
Event expenses	—	—	—	—	750	750	—	60,652	8,135	—	68,787	69,537
Insurance	35,355	10,283	5,524	18,069	3,310	72,541	11,161	—	—	2,596	2,596	86,298
Miscellaneous	350	—	—	—	—	350	—	—	—	—	—	350
Office	6,167	2,385	946	10,063	31	19,592	62,314	—	752	4,156	4,908	86,814
Postage and shipping	13,357	7,216	—	5,238	1,444	27,255	5,053	—	2,462	4,077	6,539	38,847
Program supplies	34,598	40,361	19,392	73,780	1,866	169,997	—	—	—	—	—	169,997
Professional fees	—	4,567	—	—	—	4,567	94,949	—	22,690	—	22,690	122,206
Service charges	—	—	—	—	—	—	130,183	—	10,569	2,908	13,477	143,660
Technology	39,961	15,136	13,433	34,557	7,737	110,824	94,570	—	743	21,310	22,053	227,447
Training	14,522	—	6,659	—	467	21,648	22,860	—	3,364	1,989	5,353	49,861
Transportation	11,263	323	13,590	312	220	25,708	365	—	—	149	149	26,222
Utilities	63,778	16,983	5,587	24,016	4,190	114,554	5,587	—	—	5,587	5,587	125,728
	\$ 1,658,500	\$ 775,232	\$ 557,299	\$ 875,981	\$ 333,199	\$ 4,200,211	\$ 910,254	\$ 60,652	\$ 666,946	\$ 608,917	\$ 1,336,515	\$ 6,446,980

COCA - CENTER OF CREATIVE ARTS

SCHEDULE OF FUNCTIONAL EXPENSES

For The Year Ended August 31, 2017

	Program						Fundraising					
			Productions				Management		Create Our			
	Education	Camps	COCAedu	And Exhibits	COCAbiz	Total	And General	Fundraising Events	Future Campaign	Development	Total	Total
Salaries and wages	\$ 880,552	\$ 403,272	\$ 341,372	\$ 268,569	\$ 193,457	\$ 2,087,222	\$ 343,178	\$ —	\$ 296,641	\$ 463,075	\$ 759,716	\$ 3,190,116
Consultants	14,400	48,874	51,864	95,388	9,549	220,075	631	—	49,502	7,500	57,002	277,708
Health insurance	24,898	2,874	10,230	2,322	10,944	51,268	11,387	—	7,328	11,084	18,412	81,067
Payroll taxes	68,732	31,986	26,036	29,352	15,067	171,173	23,893	—	19,019	33,873	52,892	247,958
Advertising and marketing	35,941	32,794	3,360	44,939	7,642	124,676	21,542	—	31,331	9,299	40,630	186,848
Artist accommodations and hospitality	6,958	4,379	—	32,784	2,018	46,139	—	—	—	777	777	46,916
Artist fees	—	—	—	29,840	12,500	42,340	—	—	—	—	—	42,340
Bad debt expense	—	—	—	—	—	—	1,563	—	—	—	—	1,563
Building occupancy	102,947	44,754	9,325	42,482	10,446	209,954	32,311	—	5,309	9,967	15,276	257,541
Depreciation	194,731	51,840	17,055	73,305	12,792	349,723	17,055	—	—	17,055	17,055	383,833
Donor cultivation	—	—	—	—	—	—	—	—	6,945	37,134	44,079	44,079
Event expenses	—	—	—	—	739	739	—	85,612	10,745	—	96,357	97,096
Insurance	26,732	8,577	4,626	7,199	2,928	50,062	11,209	—	—	1,675	1,675	62,946
Miscellaneous	297	—	—	—	—	297	—	—	—	—	—	297
Office	4,379	2,320	1,819	5,358	—	13,876	53,721	—	5,284	3,252	8,536	76,133
Postage and shipping	10,970	11,031	—	7,434	891	30,326	5,757	—	286	6,001	6,287	42,370
Program supplies	33,470	48,719	20,363	63,694	126	166,372	—	—	—	—	—	166,372
Professional fees	—	—	—	—	—	—	115,465	—	60,303	580	60,883	176,348
Service charges	—	—	—	—	—	—	114,645	—	—	1,738	1,738	116,383
Technology	34,404	13,893	10,420	26,548	7,020	92,285	82,762	—	3,308	18,711	22,019	197,066
Training	7,956	—	3,746	17	—	11,719	12,855	—	2,591	1,471	4,062	28,636
Transportation	9,741	256	9,247	18	214	19,476	323	—	—	355	355	20,154
Utilities	66,701	17,762	5,843	25,117	4,382	119,805	5,843	—	—	5,843	5,843	131,491
	\$ 1,523,809	\$ 723,331	\$ 515,306	\$ 754,366	\$ 290,715	\$ 3,807,527	\$ 854,140	\$ 85,612	\$ 498,592	\$ 629,390	\$ 1,213,594	\$ 5,875,261