

CREATIVE CAPITAL FOUNDATION

***FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

YEARS ENDED JUNE 30, 2013 AND 2012

CREATIVE CAPITAL FOUNDATION

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**To the Board of Directors
Creative Capital Foundation
New York, New York**

We have audited the accompanying financial statements of Creative Capital Foundation which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, and of 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 of our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Creative Capital Foundation as of June 30, 2013 and 2012, and the changes in its net assets, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



**Philadelphia, Pennsylvania
January 17, 2014**

CREATIVE CAPITAL FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2013 And 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,432,496	\$ 6,497,015
Short-term contributions and grants receivable (<i>Note 3</i>)	2,648,500	3,113,038
Investments (<i>Note 4</i>)	2,179,862	1,893,300
Other receivables	4,450	-
Prepaid expenses	83,691	90,118
Equipment – at cost – net of accumulated depreciation of \$170,945 in 2013 and \$154,594 in 2012	27,802	29,804
Artwork	15,000	15,000
Security deposit	<u>3,400</u>	<u>3,400</u>
Total Current Assets	<u>11,395,201</u>	<u>11,641,675</u>
NON-CURRENT ASSETS		
Long-term contributions and grants receivable – (<i>Note 3</i>)	672,093	2,657,354
Long-term investments (<i>Note 4</i>)	<u>1,278,482</u>	<u>1,148,578</u>
Total Non-Current Assets	<u>1,950,575</u>	<u>3,805,932</u>
Total Assets	<u>\$ 13,345,776</u>	<u>\$ 15,447,607</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses payable	\$ 504,835	\$ 479,410
Grants payable	<u>301,870</u>	<u>175,000</u>
Total Liabilities	<u>806,705</u>	<u>654,410</u>
NET ASSETS		
Unrestricted	2,862,377	2,177,668
Temporarily restricted – (<i>Note 6</i>)	8,650,694	11,589,529
Permanently restricted – (<i>Note 6</i>)	<u>1,026,000</u>	<u>1,026,000</u>
Total Net Assets	<u>12,539,071</u>	<u>14,793,197</u>
Total Liabilities and Net Assets	<u>\$ 13,345,776</u>	<u>\$ 15,447,607</u>

CREATIVE CAPITAL FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
Contributions – Core				
General Support	\$ 679,432	\$ 1,498,593	\$ -	\$ 2,178,025
Artist Services	-	206,882	-	206,882
Grantee Support	-	475,000	-	475,000
Government Support	55,000	-	-	55,000
In-kind contributions (<i>Note 8</i>)	163,569	-	-	163,569
Fundraising – net of direct expenses	<u>109,482</u>	<u>-</u>	<u>-</u>	<u>109,482</u>
Core Subtotal	<u>1,007,483</u>	<u>2,180,475</u>	<u>-</u>	<u>3,187,958</u>
Contributions – Special Projects				
Artist Career Development	-	194,341	-	194,341
DDPAA	-	1,057,032	-	1,057,032
Program service fees	<u>272,330</u>	<u>-</u>	<u>-</u>	<u>272,330</u>
Special Projects Subtotal	<u>272,330</u>	<u>1,251,373</u>	<u>-</u>	<u>1,523,703</u>
Interest income	15,864	-	-	15,864
Investment return on short-term investments (<i>Note 4</i>)	26,173	-	-	26,173
Other (<i>Note 7</i>)	<u>75,590</u>	<u>-</u>	<u>-</u>	<u>75,590</u>
Total revenue	1,397,440	3,431,848	-	4,829,288
Net assets released from restrictions	<u>6,500,587</u>	<u>(6,500,587)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>7,898,027</u>	<u>(3,068,739)</u>	<u>-</u>	<u>4,829,288</u>

CREATIVE CAPITAL FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS – (Continued)

For The Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Expenses				
Program Services – Core				
Grant making	\$ 1,580,638	\$ -	\$ -	\$ 1,580,638
Artist services	<u>944,165</u>	<u>-</u>	<u>-</u>	<u>944,165</u>
Core Subtotal	<u>2,524,803</u>	<u>-</u>	<u>-</u>	<u>2,524,803</u>
Program Services – Special Projects				
Grant making	3,160,852	-	-	3,160,852
Artist services	180,278	-	-	180,278
Artist career development	<u>696,300</u>	<u>-</u>	<u>-</u>	<u>696,300</u>
Special Projects Subtotal	<u>4,037,430</u>	<u>-</u>	<u>-</u>	<u>4,037,430</u>
Total program services	<u>6,562,233</u>	<u>-</u>	<u>-</u>	<u>6,562,233</u>
Supporting Services				
Management and general	253,578	-	-	253,578
Fundraising	<u>397,507</u>	<u>-</u>	<u>-</u>	<u>397,507</u>
Total supporting services	<u>651,085</u>	<u>-</u>	<u>-</u>	<u>651,085</u>
Total expenses	<u>7,213,318</u>	<u>-</u>	<u>-</u>	<u>7,213,318</u>
Excess revenue over expenses before other changes	684,709	(3,068,739)	-	(2,384,030)
Other Changes				
Endowment return in excess of amounts designated for current operations (<i>Note 4</i>)	<u>-</u>	<u>129,904</u>	<u>-</u>	<u>129,904</u>
Total other changes	-	129,904	-	129,904
Change in net assets	684,709	(2,938,835)	-	(2,254,126)
Net assets as of June 30, 2012	<u>2,177,668</u>	<u>11,589,529</u>	<u>1,026,000</u>	<u>14,793,197</u>
Net assets as of June 30, 2013	<u>\$ 2,862,377</u>	<u>\$ 8,650,694</u>	<u>\$ 1,026,000</u>	<u>\$ 12,539,071</u>

CREATIVE CAPITAL FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS – (Continued)

For The Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
Contributions – Core				
General Support	\$ 581,135	\$ 1,842,171	\$ -	\$ 2,423,306
Artist Services	-	25,000	-	25,000
Grantee Support	-	1,473,993	-	1,473,993
Government Support	50,000	-	-	50,000
In-kind contributions (<i>Note 8</i>)	168,804	-	-	168,804
Fundraising – net of direct expenses	<u>62,563</u>	<u>-</u>	<u>-</u>	<u>62,563</u>
Core Subtotal	<u>862,502</u>	<u>3,341,164</u>	<u>-</u>	<u>4,203,666</u>
Contributions – Special Projects				
Artist Career Development	-	100,000	-	100,000
MAP Fund	-	3,566,455	-	3,566,455
Arts Writers Grant Program	-	150,000	-	150,000
DDPAA	-	972,253	-	972,253
Program service fees	<u>282,206</u>	<u>-</u>	<u>-</u>	<u>282,206</u>
Special Projects Subtotal	<u>282,206</u>	<u>4,788,708</u>	<u>-</u>	<u>5,070,914</u>
Interest income	14,875	-	-	14,875
Investment return on short-term investments (<i>Note 4</i>)	37,702	-	-	37,702
Other (<i>Note 7</i>)	<u>71,610</u>	<u>-</u>	<u>-</u>	<u>71,610</u>
Total revenue	1,268,895	8,129,872	-	9,398,767
Net assets released from restrictions	<u>7,274,361</u>	<u>(7,274,361)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>8,543,256</u>	<u>855,511</u>	<u>-</u>	<u>9,398,767</u>

CREATIVE CAPITAL FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS – (Continued)

For The Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Expenses				
Program Services – Core				
Grant making	\$ 1,423,555	\$ -	\$ -	\$ 1,423,555
Artist services	<u>599,541</u>	<u>-</u>	<u>-</u>	<u>599,541</u>
Core Subtotal	2,023,096	-	-	2,023,096
Program Services – Special Projects				
Grant making	4,499,523	-	-	4,499,523
Artist services	242,803	-	-	242,803
Artist career development	<u>859,814</u>	<u>-</u>	<u>-</u>	<u>859,814</u>
Special Projects Subtotal	<u>5,602,140</u>	<u>-</u>	<u>-</u>	<u>5,602,140</u>
Total program services	<u>7,625,236</u>	<u>-</u>	<u>-</u>	<u>7,625,236</u>
Supporting Services				
Management and general	211,705	-	-	211,705
Fundraising	<u>463,384</u>	<u>-</u>	<u>-</u>	<u>463,384</u>
Total supporting services	<u>675,089</u>	<u>-</u>	<u>-</u>	<u>675,089</u>
Total expenses	<u>8,300,325</u>	<u>-</u>	<u>-</u>	<u>8,300,325</u>
Excess revenue over expenses before other changes	242,931	855,511	-	1,098,442
Other Changes				
Endowment return in excess of amounts designated for current operations (<i>Note 4</i>)	<u>-</u>	<u>10,650</u>	<u>-</u>	<u>10,650</u>
Total other changes	-	10,650	-	10,650
Change in net assets	242,931	866,161	-	1,109,092
Net assets as of June 30, 2011	<u>1,934,737</u>	<u>10,723,368</u>	<u>1,026,000</u>	<u>13,684,105</u>
Net assets as of June 30, 2012	<u>\$ 2,177,668</u>	<u>\$ 11,589,529</u>	<u>\$ 1,026,000</u>	<u>\$ 14,793,197</u>

CREATIVE CAPITAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2013

	Program Services					Supporting Services			Total Program And Supporting Services	
	Grantmaking		Artist Services		Artist Career Development	Management And General	Fund- Raising	Total		
	Core	Special Projects	Core	Special Projects	Total					
Salaries	\$ 114,416	\$ 517,277	\$358,614	\$ 62,583	\$ 253,537	\$ 1,306,427	\$ 149,994	\$ 254,252	\$ 404,246	\$ 1,710,673
Fringe benefits	<u>22,493</u>	<u>101,675</u>	<u>70,478</u>	<u>12,345</u>	<u>50,026</u>	<u>257,017</u>	<u>29,474</u>	<u>49,961</u>	<u>79,435</u>	<u>336,452</u>
Total personnel	136,909	618,952	429,092	74,928	303,563	1,563,444	179,468	304,213	483,681	2,047,125
Grants	1,314,467	2,147,500	-	-	-	3,461,967	-	-	-	3,461,967
Professional fees	12,504	22,481	12,504	7,125	12,504	67,118	12,503	12,503	25,006	92,124
Consulting fees	21,822	34,596	105,055	35,101	275,053	471,627	17,960	-	17,960	489,587
Administration	-	70,000	-	-	-	70,000	-	-	-	70,000
Occupancy	21,030	62,090	21,032	25,858	21,030	151,040	21,030	21,030	42,060	193,100
Office supplies	6,719	9,936	5,340	1,192	1,879	25,066	1,214	1,214	2,428	27,494
Website	4,233	8,843	4,101	-	2,514	19,691	794	1,587	2,381	22,072
Postage and mailing	3,010	2,146	3,010	-	187	8,353	3,010	3,010	6,020	14,373
Printing and duplication	3,684	5,568	1,675	130	14,063	25,120	3,419	3,595	7,014	32,134
Telephone	3,693	10,277	3,578	180	2,193	19,921	693	1,385	2,078	21,999
Honorariums	22,850	101,180	-	-	-	124,030	-	-	-	124,030
Grantee Conference	-	-	273,400	-	-	273,400	-	-	-	273,400
Conferences and meetings	4,602	18,474	33,158	12,635	1,734	70,603	9,468	3,458	12,926	83,529
Travel	18,797	37,237	43,206	13,639	55,762	168,641	90	12,205	12,295	180,936
Dues and subscriptions	1,932	2,187	4,691	-	300	9,110	1,231	1,431	2,662	11,772
Insurance	823	2,469	826	2,469	823	7,410	823	823	1,646	9,056
Advertising	2,076	2,455	2,011	1,356	2,209	10,107	389	778	1,167	11,274
Special events	-	-	-	-	-	-	-	28,788	28,788	28,788
Loan Fund	-	-	-	1,207	-	1,207	-	-	-	1,207
Refunds	-	-	-	-	1,000	1,000	-	-	-	1,000
Depreciation	<u>1,487</u>	<u>4,461</u>	<u>1,486</u>	<u>4,458</u>	<u>1,486</u>	<u>13,378</u>	<u>1,486</u>	<u>1,487</u>	<u>2,973</u>	<u>16,351</u>
Total	<u>\$ 1,580,638</u>	<u>\$ 3,160,852</u>	<u>\$ 944,165</u>	<u>\$ 180,278</u>	<u>\$ 696,300</u>	<u>\$ 6,562,233</u>	<u>\$ 253,578</u>	<u>\$ 397,507</u>	<u>\$ 651,085</u>	<u>\$ 7,213,318</u>

See notes to the financial statements.

CREATIVE CAPITAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES – (Continued)

For The Year Ended June 30, 2012

	Program Services					Supporting Services			Total Program And Supporting Services	
	Grantmaking		Artist Services		Artist Career Development	Management And General	Fund- Raising	Total		
	Core	Special Projects	Core	Special Projects	Total					
Salaries	\$ 121,532	\$ 460,008	\$291,645	\$ 57,812	\$ 291,778	\$ 1,222,775	\$ 140,578	\$ 348,986	\$ 489,564	\$ 1,712,339
Fringe benefits	<u>23,693</u>	<u>88,613</u>	<u>56,225</u>	<u>11,280</u>	<u>56,331</u>	<u>236,142</u>	<u>27,295</u>	<u>67,776</u>	<u>95,071</u>	<u>331,213</u>
Total personnel	145,225	548,621	347,870	69,092	348,109	1,458,917	167,873	416,762	584,635	2,043,552
Grants	1,101,724	3,559,479	-	-	-	4,661,203	-	-	-	4,661,203
Professional fees	11,049	41,324	10,704	-	6,561	69,638	1,572	4,143	5,715	75,353
Consulting fees	45,289	81,282	75,039	29,188	359,767	590,565	15,530	-	15,530	606,095
Administration	-	70,000	-	-	-	70,000	-	-	-	70,000
Occupancy	34,210	47,503	43,313	5,778	26,546	157,350	8,383	16,766	25,149	182,499
Office supplies	4,872	7,683	5,040	-	2,146	19,741	4,183	3,008	7,191	26,932
Website	3,944	5,124	3,821	232	2,342	15,463	740	1,479	2,219	17,682
Postage and mailing	3,278	1,478	3,280	-	2,382	10,418	635	1,270	1,905	12,323
Printing and duplication	3,409	31	2,566	-	14,720	20,726	2,070	993	3,063	23,789
Telephone	2,692	10,790	2,608	568	2,996	19,654	505	1,009	1,514	21,168
Honorariums	41,095	75,960	-	-	-	117,055	-	-	-	117,055
Grantee Conference	-	-	18,000	92,470	-	110,470	-	-	-	110,470
Conferences and meetings	3,363	16,680	26,702	30,518	2,974	80,237	7,697	1,748	9,445	89,682
Travel	17,956	24,382	53,870	8,203	86,915	191,326	-	6,167	6,167	197,493
Dues and subscriptions	1,243	758	1,204	-	1,019	4,224	233	466	699	4,923
Insurance	450	1,348	450	1,350	450	4,048	450	450	900	4,948
Advertising	2,366	2,910	2,292	200	1,497	9,265	444	886	1,330	10,595
Special events	-	-	-	-	-	-	-	6,847	6,847	6,847
Loan Fund	-	-	-	1,034	-	1,034	-	-	-	1,034
Depreciation	<u>1,390</u>	<u>4,170</u>	<u>2,782</u>	<u>4,170</u>	<u>1,390</u>	<u>13,902</u>	<u>1,390</u>	<u>1,390</u>	<u>2,780</u>	<u>16,682</u>
Total	<u>\$ 1,423,555</u>	<u>\$ 4,499,523</u>	<u>\$ 599,541</u>	<u>\$ 242,803</u>	<u>\$ 859,814</u>	<u>\$ 7,625,236</u>	<u>\$ 211,705</u>	<u>\$ 463,384</u>	<u>\$ 675,089</u>	<u>\$ 8,300,325</u>

CREATIVE CAPITAL FOUNDATION

STATEMENTS OF CASH FLOWS

For The Years Ended June 30, 2013 And 2011

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,254,126)	\$ 1,109,092
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	16,351	16,682
Realized/unrealized (gain) loss on investments	(110,834)	5,637
Change in contributions and grants receivable	2,449,799	172,146
Change in other receivables	(4,450)	7,200
Change in prepaid expenses	6,427	(55,197)
Change in security deposit	-	(200)
Change in accounts and accrued expenses payable	25,425	(6,067)
Change in grants payable	<u>126,870</u>	<u>175,000</u>
Net cash provided by operating activities	<u>255,462</u>	<u>1,424,293</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(328,293)	(65,075)
Sale of investments	22,661	-
Acquisition of fixed assets	<u>(14,349)</u>	<u>(24,963)</u>
Net cash used for investing activities	<u>(319,981)</u>	<u>(90,038)</u>
Net increase (decrease) in cash	(64,519)	1,334,255
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>6,497,015</u>	<u>5,162,760</u>
End of year	<u>\$ 6,432,496</u>	<u>\$ 6,497,015</u>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

(1) ORGANIZATION

Creative Capital Foundation (“*CCF*”) was incorporated in the State of New York in May 1998 as a not-for-profit organization. CCF concentrates its efforts towards the support of artists creating original innovative work in visual, performing, media, literature, and interdisciplinary arts. In addition to financial support, CCF provides its participating grantees with career and promotional services and other pertinent advice through its artist services activities. As part of its support to the community of artists nationwide, CCF’s professional development program makes available throughout the U.S. career development workshops in fundraising, promotion, and strategic planning.

Since 2001, CCF has administered the Multi-Arts Production (MAP) grant program which was initially funded solely by the Rockefeller Foundation. In 2007, CCF received additional funding for the administration of the MAP Fund from the Doris Duke Foundation. In 2010, the Mellon Foundation also gave additional funding to CCF for the administration of the MAP Fund. Since 2006, CCF has administered the Arts Writers Grant Program for the Andy Warhol Foundation for the Visual Arts. In 2011, CCF began administering a new program for the Doris Duke Foundation, the Doris Duke Performing Artist Awards.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements are prepared on the accrual basis of accounting.

ACCOUNTING ESTIMATES

The preparation of the 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, January 17, 2014, have been evaluated in the preparation of the financial statements and management has determined that there are no subsequent events that would require disclosure or adjustment in the financial statements.

CONCENTRATION OF CREDIT RISK

CCF’s principal financial instruments subject to credit risk are its cash, investments, and receivables

CCF occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification (“*ASC*”) 825, “*Financial Instruments*”, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

The investments are managed by professional investment managers. The degree and concentration of credit risk varies by the type of investment.

Receivables result primarily from unconditional promises to give, which are from foundations and individuals.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include money market funds and highly liquid instruments purchased with a maturity of three months or less.

NET ASSETS

CCF's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CCF and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of CCF and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by CCF. Generally, the donors of these assets permit CCF to use all or part of the income earned on related investments for general or specific purposes.

FIXED ASSETS

Equipment is recorded at cost and depreciated over the estimated useful lives of 3 to 5 years using the straight line method.

INVESTMENTS

CCF records its investments in securities at fair value with the resulting gains and losses reported in the statement of activities. The fair value of investments traded on a securities exchange is determined based as quoted market prices and at appraised value for donated securities.

CONTRIBUTIONS

CCF reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of goods and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, CCF reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013

CONTRIBUTIONS RECEIVABLE

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

FUNCTIONAL ALLOCATIONS

The costs of providing the organization's programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

GIFTS OF ARTWORK

CCF established a policy starting in 2008 regarding gifts of artwork. These gifts will be accepted from the donor in lieu of a cash contribution and treated as an asset that can be sold at any time with prior board approval.

INCOME TAXES

CCF is exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported organization as described in Sections 509(a)(1) and 170(b)(1)(a)(vi). Management has reviewed the tax positions for each of the open tax years (2010 – 2012) or expected to be taken in CCF's 2013 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

(3) CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable at June 30, 2013 and 2012 are expected to be realized as follows:

	<u>2013</u>	<u>2012</u>
In one year or less	\$ 2,648,500	\$ 3,113,038
In one to five years	<u>715,783</u>	<u>2,898,537</u>
	3,364,283	6,011,575
Less: discount	<u>(43,690)</u>	<u>(241,183)</u>
Net contributions and grants receivable	<u>\$ 3,320,593</u>	<u>\$ 5,770,392</u>

In determining the present value of the expected future cash flows, a discount rate of 3% was applied at June 30, 2013 and 2012.

As of June 30, 2013 and 2012, all contributions receivable are considered temporarily restricted. Management expects all pledges to be fully collected and, accordingly, no allowance for doubtful pledges has been provided.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013

(4) INVESTMENTS

Investments are carried at fair value unless otherwise indicated. A summary of investments, including cost and cash equivalents at June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalent	\$ 1,260,588	\$ 1,257,535
Equities	887,448	742,408
Fixed Income Securities	446,810	400,842
Fixed Income Funds	401,101	374,483
Equity Funds	<u>462,397</u>	<u>266,610</u>
Total	<u>\$ 3,458,344</u>	<u>\$ 3,041,878</u>
Investments are classified as follows:		
Short-term investments	\$ 2,179,916	\$ 1,893,300
Long-term investments:	<u>1,278,428</u>	<u>1,148,578</u>
Total	<u>\$ 3,458,344</u>	<u>\$ 3,041,878</u>
Investment return:		
Interest and dividends, net of investment expenses of \$22,289 and \$19,554, respectively	\$ 45,243	\$ 53,989
Realized gains on investments	148	22,103
Unrealized gains (losses) on investments	<u>110,686</u>	<u>(27,740)</u>
Total investment return	156,077	48,352
Investment return allocated to long-term investments	<u>(129,904)</u>	<u>(10,650)</u>
Investment return on short-term investments	<u>\$ 26,173</u>	<u>\$ 37,702</u>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013

The following schedule summarizes investment return allocated to the endowment funds (long-term investments) and its classification in the statement of activities:

	2013		
	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Interest and dividends (net of investment expenses of \$12,401)	\$ -	\$ 10,732	\$ 10,732
Net realized and unrealized losses	<u>-</u>	<u>119,172</u>	<u>119,172</u>
Endowment return on long-term investments	-	129,904	129,904
Endowment return designated for current operations	<u>-</u>	<u>-</u>	<u>-</u>
Endowment return in excess of amounts designated for current operations	<u>\$ -</u>	<u>\$129,904</u>	<u>\$ 129,904</u>

	2012		
	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Interest and dividends (net of investment expenses of \$7,626)	\$ -	\$ 19,986	\$ 19,986
Net realized and unrealized losses	<u>-</u>	<u>(9,336)</u>	<u>(9,336)</u>
Endowment return on long-term investments	-	10,650	10,650
Endowment return designated for current operations	<u>-</u>	<u>-</u>	<u>-</u>
Endowment return in excess of amounts designated for current operations	<u>\$ -</u>	<u>\$10,650</u>	<u>\$ 10,650</u>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013

(5) FAIR VALUE MEASUREMENTS

The Foundation utilizes various methods to measure the fair value of most of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Organization's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value the Organization's assets and liabilities that are carried at fair value as of June 30, 2013 and 2012 are as follows:

	2013			<u>Total</u>
	<u>Level 1 Quoted Prices</u>	<u>Level 2 Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>	
Cash and Money Market Funds	\$ 1,260,588	\$ -	\$ -	\$1,260,588
Equities	887,448	-	-	887,448
Fixed Income Securities	-	446,810	-	446,810
Fixed Income Funds	401,101	-	-	401,101
Equity Funds	<u>462,397</u>	<u>-</u>	<u>-</u>	<u>462,397</u>
	<u>\$ 3,011,534</u>	<u>\$446,810</u>	<u>\$ -</u>	<u>\$3,458,344</u>

	2012			<u>Total</u>
	<u>Level 1 Quoted Prices</u>	<u>Level 2 Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>	
Cash and Money Market Funds	\$ 1,257,535	\$ -	\$ -	\$1,257,535
Equities	742,408	-	-	742,408
Fixed Income Securities	-	400,842	-	400,842
Fixed Income Funds	374,483	-	-	374,483
Equity Funds	<u>266,610</u>	<u>-</u>	<u>-</u>	<u>266,610</u>
	<u>\$ 2,641,036</u>	<u>\$400,842</u>	<u>\$ -</u>	<u>\$3,041,878</u>

There were no transfers between Level 1 and Level 2 during the year ended June 30, 2013 or 2012.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013

(6) NET ASSETS

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following for the years ended June 30, 2013 and 2012:

	2013			Ending Balances
	Beginning Balances	Additions	Releases	
Bloomberg Philanthropies	\$ -	\$ 98,593	\$ -	\$ 98,593
The Doris Duke Charitable Foundation	4,515,616	1,057,032	2,380,720	3,191,928
Robert Deutsch Foundation	210,360	-	100,000	110,360
Ford Foundation	-	50,000	29,167	20,833
The Andy Warhol Foundation for the Visual Arts:				
General support *	1,600,000	1,500,000	1,500,000	1,600,000
Cash reserve *	1,000,000	-	-	1,000,000
Arts Writers Grant Program	1,891,922	-	931,232	960,690
The Muriel Pollia Foundation	49,460	-	49,460	-
Rockefeller Cultural Innovation	48,658	-	41,360	7,298
Two Sister and a Wife Foundation	-	150,000	-	150,000
Mellon Foundation	1,000,000	-	594,204	405,796
Herradura	-	69,341	-	69,341
LEF Foundation	86,086	-	29,939	56,147
The Kresge Foundation	495,123	-	385,123	110,000
Cordish Family Fund	65,680	-	25,000	40,680
Jeffrey and Catharine Soros	81,360	-	50,000	31,360
Ronald Feldman	8,568	-	-	8,568
Ed and Eve Colloton Family Fund	12,430	-	-	12,430
James Schamus	1,627	-	1,000	627
Ruby Lerner	2,390	-	1,500	890
Stephen Reily	62,625	-	25,000	37,625
William K. Bowes Jr. Foundation	117,875	-	50,000	67,875
Paige West	192,171	-	50,000	142,171
Nathan Cummings Foundation	-	50,000	50,000	-
Joan Mitchell Foundation	-	25,000	25,000	-
The TOBY Fund	25,000	25,000	25,000	25,000
Westenberger Estate	-	350,000	100,000	250,000
Accumulated endowment income	122,578	129,904	-	252,482
Total temporarily restricted net assets	<u>\$ 11,589,529</u>	<u>\$ 3,504,870</u>	<u>\$ 6,443,705</u>	<u>\$ 8,650,694</u>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013

	2012			Ending Balances
	Beginning Balances	Additions	Releases	
Booth Ferris	\$ 99,750	\$ -	\$ 99,750	\$ -
The Doris Duke Charitable Foundation	2,723,710	4,919,008	3,127,102	4,515,616
Robert Deutsch Foundation	-	293,693	83,333	210,360
The Andy Warhol Foundation for the Visual Arts:				
General support *	1,400,000	1,500,000	1,300,000	1,600,000
Cash reserve *	1,000,000	-	-	1,000,000
Arts Writers Grant Program	2,721,888	150,000	979,966	1,891,922
The Muriel Pollia Foundation	99,460	-	50,000	49,460
Rockefeller Cultural Innovation	82,955	-	34,297	48,658
Mellon Foundation	905,457	1,000,000	905,457	1,000,000
The Nathan Cummings Foundation	90,000	-	90,000	-
LEF Foundation	116,140	-	30,054	86,086
The Kresge Foundation	858,165	-	363,042	495,123
Cordish Family Fund	65,680	-	-	65,680
Jeffrey and Catharine Soros	131,360	-	50,000	81,360
Ronald Feldman	13,568	-	5,000	8,568
Ed and Eve Colloton Family Fund	17,430	-	5,000	12,430
James Schamus	2,627	-	1,000	1,627
Rappaport Family Foundation	23,860	-	23,860	-
Ruby Lerner	3,890	-	1,500	2,390
Stephen Reily	87,625	-	25,000	62,625
William K. Bowes Jr. Foundation	167,875	-	50,000	117,875
Paige West	-	242,171	50,000	192,171
The TOBY Fund	-	25,000	-	25,000
Accumulated endowment income	111,928	10,650	-	122,578
Total temporarily restricted net assets	<u>\$ 10,723,368</u>	<u>\$ 8,140,522</u>	<u>\$ 7,274,361</u>	<u>\$ 11,589,529</u>

* In 2001, the Andy Warhol Foundation for the Visual Arts made a \$10 million commitment to help CCF launch an endowment campaign to ensure the organization's longevity. The commitment was issued as a challenge grant to be matched dollar-for-dollar by May 2004. With the stock market's poor performance in 2001 and not being able to meet the endowment challenge match by 2004, CCF asked and received approval from the Andy Warhol Foundation to reconfigure the grant as follows: The new challenge would be \$1 million in annual operating support for each of nine years, beginning in 2004 and ending in 2012, plus \$1 million allocated to a CCF cash reserve. Before the Andy Warhol Foundation would release its annual commitment of \$1 million, CCF had to demonstrate that, in the prior calendar year, it generated at least an additional \$800,000 through earned income and contributions from other sources, as well as maintained support to approximately 40 artists per cycle. As of June 30, 2008, CCF had received \$6 million (\$1 million as cash reserve, \$5 million as operating support) of the original \$10 million commitment. In May 2009, the original commitment was terminated and the challenge grant was revised by the Andy Warhol Foundation as follows: The annual contribution would increase to \$1,500,000 through 2018 and would have to be matched dollar-for-dollar by other contributions and earnings including Professional Development Program workshop fees. The level of support to grantees would have to be maintained at current levels with an increase in the number of new grants to artists from approximately 40 to 46 in each of the four grant making years within the CCF artist grantee seven year cycle. If in any single year more funds were raised than were spent to maintain CCF's level of artist support, the surplus can be carried over and applied towards fulfilling the following year's commitment. As of June 30, 2013 CCF had received \$7.5 million of the new \$15 million commitment.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
General endowments – income for general operations	<u>\$1,026,000</u>	<u>\$1,026,000</u>

ENDOWMENT FUNDS

CCF's endowment funds consist of individual donor restricted funds established to support its general operations. As required by GAAP in the United States, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW

CCF is incorporated in the state of New York, which has enacted the Uniform Prudent Management of Institutional Funds Act ("**UPMIFA**"). UPMIFA governs donor restricted or permanently restricted endowment funds for not-for-profit corporations. CCF has interpreted the applicable state standards and guidelines for the prudent management of an endowment fund as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CCF 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 (i.e. the accumulated realized and unrealized gains/losses) that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CCF. CCF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of CCF
- (7) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution.
- (8) The investment policies of CCF

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013

RETURN OBJECTIVES AND RISK PARAMETERS

According to policy approved by the Board of Directors, endowment funds shall be invested in a manner that provides safeguards and diversity that a prudent investor would adhere to, with emphasis on preservation of capital while providing a reasonable return. The investment approach carefully balances the long term potential for appreciation of assets in excess of inflation against the possibility of investment losses. Investments are will diversified with the intent to minimize the risk of large losses to the funds as follows:

1. Not more than 5% of the total stock portfolio may be invested in the securities of any one corporation;
2. Not more than 5% of the outstanding shares of any one company may be held;
3. Not more than 20% of the total portfolio shall be held in securities of any one industry;
4. Up to 50% of the total stock portfolio may be invested in securities primarily traded on foreign stock exchanges;

SPENDING POLICY

CCF's spending policy is to make available for distribution, 5% of the investment income from the endowment fund. The policy is consistent with CCF's objective to maintain the purchasing power of the endowment assets held in perpetuity. The Board of Directors annually reviews and approves all permanently restricted funds in accordance with UPMIFA to determine if it is prudent to spend from the endowment. No distributions were appropriated for the years ending June 30, 2013 and 2012.

The classification by net asset type at June 30, 2013 and 2012 is as follows:

	2013			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 252,482</u>	<u>\$ 1,026,000</u>	<u>\$ 1,278,482</u>

	2012			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 122,578</u>	<u>\$ 1,026,000</u>	<u>\$ 1,148,578</u>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013

Changes in endowment net assets for the years ended June 30, 2013 and 2012:

	2013			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, beginning of year	\$ -	\$ 122,578	\$ 1,026,000	\$ 1,148,578
Investment income, net	-	10,732	-	10,732
Realized and unrealized gains	-	<u>119,172</u>	-	<u>119,172</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 252,482</u>	<u>\$ 1,026,000</u>	<u>\$ 1,278,482</u>

	2012			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, beginning of year	\$ -	\$ 111,928	\$ 1,026,000	\$ 1,137,928
Investment income, net	-	19,986	-	19,986
Realized and unrealized losses	-	<u>(9,336)</u>	-	<u>(9,336)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 122,578</u>	<u>\$ 1,026,000</u>	<u>\$ 1,148,578</u>

(7) OTHER INCOME

For the fiscal years 2013 and 2012, other income consists of the following:

	<u>2013</u>	<u>2012</u>
Grantee payback	\$ 1,025	\$ 1,588
MAP/DDPAA administrative fees	70,000	70,000
Miscellaneous	<u>4,565</u>	<u>22</u>
Total other income	<u>\$ 75,590</u>	<u>\$ 71,610</u>

(8) IN-KIND CONTRIBUTION

For the fiscal years 2013 and 2012, In-kind contributions consists of the following:

	<u>2013</u>	<u>2012</u>
Foundation In-kind support	\$ 156,024	\$ 148,594
Individual In-kind support	7,545	2,175
Event In-kind support	-	<u>18,035</u>
Total other income	<u>\$ 163,569</u>	<u>\$ 168,804</u>

(9) RETIREMENT PLAN

CCF maintains a defined contribution plan for employees who have completed at least one year and 1,000 hours of service. CCF matches employee salary deferrals up to 7%. For the fiscal years 2013 and 2012, CCF incurred approximately \$73,000 and 79,000, respectively.