

CREATIVE CAPITAL FOUNDATION

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

YEARS ENDED JUNE 30, 2012 AND 2011

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 statement of financial position of Creative Capital Foundation as of June 30, 2012 and 2011, and the related statements of activities and change in net assets, and of cash flows for the year then ended. These financial statements are the responsibility of Creative Capital Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the statement of activities 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.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
December 3, 2012**

CREATIVE CAPITAL FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,497,015	\$ 5,162,760
Short-term contributions and grants receivable (<i>Note 3</i>)	3,113,038	2,442,500
Investments (<i>Note 4</i>)	1,893,300	1,844,512
Other receivables	-	7,200
Equipment – at cost – net of accumulated depreciation of \$154,594 in 2012 and \$137,912 in 2011	29,804	21,523
Artwork – (<i>Note 7</i>)	15,000	15,000
Prepaid expenses	90,118	34,921
Security deposit	<u>3,400</u>	<u>3,200</u>
Total Current Assets	<u>11,641,675</u>	<u>9,531,616</u>
NON-CURRENT ASSETS		
Long-term contributions and grants receivable – (<i>Note 3</i>)	2,657,354	3,500,038
Long-term investments (<i>Note 4</i>)	<u>1,148,578</u>	<u>1,137,928</u>
Total Non-Current Assets	<u>3,805,932</u>	<u>4,637,966</u>
Total Assets	<u>\$ 15,447,607</u>	<u>\$ 14,169,582</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses payable	\$ 479,410	\$ 485,477
Grants payable	<u>175,000</u>	<u>-</u>
Total Liabilities	<u>654,410</u>	<u>485,477</u>
NET ASSETS		
Unrestricted	2,177,668	1,486,501
Unrestricted – reserved – (<i>Note 6</i>)	<u>-</u>	<u>448,236</u>
Total Unrestricted Net Assets	2,177,668	1,934,737
Temporarily restricted – (<i>Note 6</i>)	11,589,529	10,723,368
Permanently restricted – (<i>Note 6</i>)	<u>1,026,000</u>	<u>1,026,000</u>
Total Net Assets	<u>14,793,197</u>	<u>13,684,105</u>
Total Liabilities and Net Assets	<u>\$ 15,447,607</u>	<u>\$ 14,169,582</u>

CREATIVE CAPITAL FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

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	\$ 531,135	\$ 1,842,171	\$ -	\$ 2,373,306
Artist Services	-	75,000	-	75,000
Grantee Support	-	1,473,993	-	1,473,993
Government Support	50,000	-	-	50,000
In-kind contributions (<i>Note 9</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>812,502</u>	<u>3,391,164</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 8</i>)	<u>71,610</u>	<u>-</u>	<u>-</u>	<u>71,610</u>
Total revenue	1,218,895	8,179,872	-	9,398,767
Net assets released from restrictions	<u>7,324,361</u>	<u>(7,324,361)</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 ACTIVITIES AND CHANGES IN NET ASSETS – (Continued)

For The Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
Contributions – Core				
General Support	\$ 386,435	\$ 1,400,000	\$ -	\$ 1,786,435
Artist Services	-	339,210	-	339,210
Grantee Support	-	25,000	-	25,000
In-kind contributions (<i>Note 9</i>)	159,228	-	-	159,228
Fundraising – net of direct expenses	<u>49,174</u>	<u>-</u>	<u>-</u>	<u>49,174</u>
Core Subtotal	<u>594,837</u>	<u>1,764,210</u>	<u>-</u>	<u>2,359,047</u>
Contributions – Special Projects				
Artist Career Development	-	100,000	-	100,000
MAP Fund	-	3,609,696	-	3,609,696
Arts Writers Grant Program	-	150,000	-	150,000
Program service fees	<u>340,698</u>	<u>-</u>	<u>-</u>	<u>340,698</u>
Special Projects Subtotal	<u>340,698</u>	<u>3,859,696</u>	<u>-</u>	<u>4,200,394</u>
Interest income	19,380	-	-	19,380
Investment return on short-term investments (<i>Note 4</i>)	59,989	-	-	59,989
Other (<i>Note 8</i>)	<u>30,908</u>	<u>-</u>	<u>-</u>	<u>30,908</u>
Total revenue	1,045,812	5,623,906	-	6,669,718
Net assets released from restrictions	<u>5,137,359</u>	<u>(5,137,359)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>6,183,171</u>	<u>486,547</u>	<u>-</u>	<u>6,669,718</u>

CREATIVE CAPITAL FOUNDATION

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

For The Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Expenses				
Program Services – Core				
Grant making	\$ 848,078	\$ -	\$ -	\$ 848,078
Artist services	<u>519,789</u>	<u>-</u>	<u>-</u>	<u>519,789</u>
Core Subtotal	1,367,867	-	-	1,367,867
Program Services – Special Projects				
Grant making	2,386,787	-	-	2,386,787
Artist services	228,117	-	-	228,117
Artist career development	<u>981,195</u>	<u>-</u>	<u>-</u>	<u>981,195</u>
Special Projects Subtotal	<u>3,596,099</u>	<u>-</u>	<u>-</u>	<u>3,596,099</u>
Total program services	<u>4,963,966</u>	<u>-</u>	<u>-</u>	<u>4,963,966</u>
Supporting Services				
Management and general	213,696	-	-	213,696
Fundraising	<u>384,907</u>	<u>-</u>	<u>-</u>	<u>384,907</u>
Total supporting services	<u>598,603</u>	<u>-</u>	<u>-</u>	<u>598,603</u>
Total expenses	<u>5,562,569</u>	<u>-</u>	<u>-</u>	<u>5,562,569</u>
Excess revenue over expenses before other changes	620,602	486,547	-	1,107,149
Other Changes				
Impairment loss on artwork (<i>Note 7</i>)	(110,000)	-	-	(110,000)
Endowment return in excess of amounts designated for current operations (<i>Note 4</i>)	<u>-</u>	<u>111,928</u>	<u>-</u>	<u>111,928</u>
Total other changes	(110,000)	111,928	-	1,928
Change in net assets	510,602	598,475	-	1,109,077
Net assets as of June 30, 2010	<u>1,424,135</u>	<u>10,124,893</u>	<u>1,026,000</u>	<u>12,575,028</u>
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>

CREATIVE CAPITAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2012

	Program Services					Supporting Services			Total Program And Supporting Services	
	Grantmaking		Artist Services		Artist Career Development	Total	Management And General	Fund- Raising		Total
	Core	Special Projects	Core	Special Projects						
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>

The notes to the financial statements.

CREATIVE CAPITAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES – (Continued)

For The Year Ended June 30, 2011 – (For comparative purposes)

	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	\$119,967	\$ 255,836	\$308,168	\$ 53,800	\$295,889	\$ 1,033,660	\$138,507	\$268,906	\$407,413	\$ 1,441,073
Fringe benefits	23,866	50,945	61,585	10,803	58,811	206,010	27,709	53,723	81,432	287,442
Total personnel	143,833	306,781	369,753	64,603	354,700	1,239,670	166,216	322,629	488,845	1,728,515
Grants	581,873	1,864,400	-	-	-	2,446,273	-	-	-	2,446,273
Professional fees	7,270	7,270	6,092	7,993	8,632	37,257	2,728	5,452	8,180	45,437
Consulting fees	36,492	40,398	55,805	33,200	443,635	609,530	21,702	-	21,702	631,232
Administration	-	27,136	-	-	-	27,136	-	-	-	27,136
Occupancy	31,113	44,029	30,192	2,623	32,559	140,516	10,282	20,562	30,844	171,360
Office supplies	2,400	4,931	6,620	482	4,353	18,786	1,375	2,749	4,124	22,910
Website	2,325	4,799	2,252	253	1,380	11,009	436	872	1,308	12,317
Postage and mailing	2,518	1,466	3,664	193	2,365	10,206	746	1,494	2,240	12,446
Printing and duplication	4,644	344	3,510	-	19,806	28,304	679	1,359	2,038	30,342
Telephone	3,556	4,578	2,578	241	2,111	13,064	956	1,912	2,868	15,932
Honorariums	18,750	48,970	-	200	-	67,920	-	-	-	67,920
Grantee conference	-	-	-	78,631	-	78,631	-	-	-	78,631
Conferences and meetings	1,654	8,978	7,325	31,228	1,758	50,943	5,452	2,462	7,914	58,857
Travel	2,300	15,390	19,989	4,334	98,828	140,841	-	7,000	7,000	147,841
Dues and subscriptions	2,866	1,122	3,863	-	2,367	10,218	748	1,495	2,243	12,461
Insurance	502	1,004	486	972	894	3,858	282	565	847	4,705
Special events	-	-	-	-	-	-	-	12,166	12,166	12,166
Advertising	4,349	1,925	6,078	-	3,726	16,078	1,176	2,353	3,529	19,607
Depreciation	1,633	3,266	1,582	3,164	2,909	12,554	918	1,837	2,755	15,309
Miscellaneous	-	-	-	-	1,172	1,172	-	-	-	1,172
Total	\$848,078	\$2,386,787	\$519,789	\$228,117	\$981,195	\$4,963,966	\$213,696	\$384,907	\$598,603	\$5,562,569

CREATIVE CAPITAL FOUNDATION

STATEMENTS OF CASH FLOWS

For The Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,109,092	\$ 1,109,077
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	16,682	15,309
Realized/unrealized (gain) loss on investments	5,637	(116,349)
Impairment loss on artwork	-	110,000
Change in contributions and grants receivable	172,146	(389,140)
Change in other receivables	7,200	17,342
Change in prepaid expenses	(55,197)	(18,337)
Change in security deposit	(200)	-
Change in accounts and accrued expenses payable	(6,067)	53,991
Change in grants payable	<u>175,000</u>	<u>(113,103)</u>
Net cash provided by operating activities	<u>1,424,293</u>	<u>668,790</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(65,075)	(6,579,026)
Sale of investments	-	6,513,360
Acquisition of fixed assets	<u>(24,963)</u>	<u>(15,130)</u>
Net cash used for investing activities	<u>(90,038)</u>	<u>(80,796)</u>
Net increase in cash	1,334,255	587,994
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>5,162,760</u>	<u>4,574,766</u>
End of year	<u>\$ 6,497,015</u>	<u>\$ 5,162,760</u>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

(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, December 3, 2012, 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 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.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2012

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include money market funds.

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, 2012

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. In 2011, CCF changed its financial reporting of program services to better reflect its programmatic structure.

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 (2009 – 2011) or expected to be taken in CCF's 2012 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, 2012 and 2011 are expected to be realized as follows:

	<u>2012</u>	<u>2011</u>
In one year or less	\$ 3,113,038	\$ 2,442,500
In one to five years	<u>2,898,537</u>	<u>3,715,092</u>
	6,011,575	6,157,592
Less: discount	<u>(241,183)</u>	<u>(215,054)</u>
Net contributions and grants receivable	<u>\$ 5,770,392</u>	<u>\$ 5,942,538</u>

In determining the present value of the expected future cash flows, a discount rate of 3% was applied at June 30, 2012 and 2011.

As of June 30, 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, 2012

(4) INVESTMENTS

Investments are carried at fair value unless otherwise indicated. A summary of investments, including cost and cash equivalents at June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalent	\$ 1,257,535	\$ 1,205,074
Equities	742,408	733,770
Preferred Stocks	-	2,780
Fixed Income Securities	400,842	418,636
Fixed Income Funds	374,483	566,552
Equity Funds	<u>266,610</u>	<u>55,628</u>
Total	<u>\$ 3,041,878</u>	<u>\$ 2,982,440</u>
Investments are classified as follows:		
Short-term investments	\$ 1,893,300	\$ 1,844,512
Long-term investments:	<u>1,148,578</u>	<u>1,137,928</u>
Total	<u>\$ 3,041,878</u>	<u>\$ 2,982,440</u>
Investment return:		
Interest and dividends, net of investment expenses of \$19,554 and \$15,159, respectively	\$ 53,989	\$ 55,568
Realized gains on investments	22,103	71,816
Unrealized gains (losses) on investments	<u>(27,740)</u>	<u>44,533</u>
Total investment return	48,352	171,917
Investment return allocated to long-term investments	<u>(10,650)</u>	<u>(111,928)</u>
Investment return on short-term investments	<u>\$ 37,702</u>	<u>\$ 59,989</u>

In September 2010, New York State adopted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) to govern the treatment of endowment funds by organizations operating in its domicile. UPMIFA requires prudent management of invested funds, removes the prohibition on appropriations of endowment funds below historical dollar amount, and requires a decision by the governing board to release a portion of the endowment fund from the donor-imposed restriction on spending. During the year ending June 30, 2012 and 2011, no amounts were appropriated by the governing board and such income is classified as temporarily restricted until appropriated.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2012

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

	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	-	(9,336)	(9,336)
Endowment return on long-term investments	-	10,650	10,650
Endowment return designated for current operations	-	-	-
Endowment return in excess of amounts designated for current operations	\$ -	\$ 10,650	\$ 10,650

	2011		
	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Interest and dividends (net of investment expenses of \$15,159)	\$ -	\$ 22,937	\$ 22,937
Net realized and unrealized gains	-	88,991	88,991
Endowment return on long-term investments	-	111,928	111,928
Endowment return designated for current operations	-	-	-
Endowment return in excess of amounts designated for current operations	\$ -	\$ 111,928	\$ 111,928

(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.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2012

The summary of inputs used to value the Organization’s assets and liabilities that are carried at fair value as of June 30, 2012 and 2011 are as follows:

	2012			Total
	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs	
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>

	2011			Total
	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs	
Cash and Money Market Funds	\$ 1,205,074	\$ -	\$ -	\$1,205,074
Equities	733,770	-	-	733,770
Preferred Stocks	2,780	-	-	2,780
Fixed Income Securities	-	418,636	-	418,636
Fixed Income Funds	566,552	-	-	566,552
Equity Funds	<u>55,628</u>	<u>-</u>	<u>-</u>	<u>55,628</u>
	<u>\$ 2,563,804</u>	<u>\$418,636</u>	<u>\$ -</u>	<u>\$2,982,440</u>

There were no transfers between Level 1 and Level 2 during the year ended June 30, 2011 or 2010.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2012

(6) NET ASSETS

UNRESTRICTED NET ASSETS

For 2012 and 2011, CCF reserved 50% of all unrestricted contributions (both unrestricted and restricted contributions released during the current year) to fund grants to artists as follows:

		<u>2012</u>
Beginning balance		\$ 448,236
Unrestricted contributions received (\$531,135 x 50%)	\$ 265,568	
Restricted contributions released (\$7,324,361 x 50%)	<u>3,662,181</u>	
Additional reserved		<u>3,927,749</u>
Total reserved contributions available		4,375,985
Grants to artists *		<u>(4,375,985)</u>
Net unrestricted reserved balance at end of year		<u>\$ -</u>
		<u>2011</u>
Beginning balance		\$ 135,097
Unrestricted contributions received (\$386,435 x 50%)	\$ 193,218	
Restricted contributions released (\$5,132,388 x 50%)	<u>2,566,194</u>	
Additional reserved		<u>2,759,412</u>
Total reserved contributions available		2,894,509
Grants to artists		<u>(2,446,273)</u>
Net unrestricted reserved balance at end of year		<u>\$ 448,236</u>

* *Capped at total reserved contributions available.*

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2012

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following for the years ended June 30, 2012 and 2011:

	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 William and Flora Hewlett Foundation	-	-	-	-
The Muriel Pollia Foundation	99,460	-	50,000	49,460
Rockefeller MAP Fund	-	-	-	-
Rockefeller Cultural Innovation	82,955	-	34,297	48,658
Mellon Foundation	905,457	1,000,000	905,457	1,000,000
National Endowment of the Arts	-	50,000	50,000	-
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>\$ 8,190,522</u>	<u>\$ 7,324,361</u>	<u>\$ 11,589,529</u>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2012

	2011			Ending Balances
	Beginning Balances	Additions	Releases	
Booth Ferris	\$ -	\$ 149,750	\$ 50,000	\$ 99,750
The Doris Duke Charitable Foundation	1,754,272	2,609,696	1,640,258	2,723,710
The Andy Warhol Foundation for the Visual Arts:				
General support *	1,000,000	1,500,000	1,100,000	1,400,000
Cash reserve *	1,000,000	-	-	1,000,000
Arts Writers Grant Program	3,540,525	150,000	968,637	2,721,888
The William and Flora Hewlett Foundation	47,333	-	47,333	-
The Muriel Pollia Foundation	50,000	99,460	50,000	99,460
Rockefeller MAP Fund	165,179	-	165,179	-
Rockefeller Cultural Innovation	105,922	-	22,967	82,955
Mellon Foundation	250,000	1,000,000	344,543	905,457
The Nathan Cummings Foundation	80,000	90,000	80,000	90,000
Concordia Foundation	-	25,000	25,000	-
LEF Foundation	146,133	-	29,993	116,140
The Kresge Foundation	1,274,143	-	415,978	858,165
Cordish Family Fund	90,680	-	25,000	65,680
Jeffrey and Catharine Soros	181,360	-	50,000	131,360
Ronald Feldman	18,568	-	5,000	13,568
Ed and Eve Collotion Family Fund	22,430	-	5,000	17,430
James Schamus	3,627	-	1,000	2,627
Rappaport Family Foundation	48,860	-	25,000	23,860
Ruby Lerner	5,390	-	1,500	3,890
Stephen Reily	122,596	-	34,971	87,625
William K. Bowes Jr. Foundation	217,875	-	50,000	167,875
Accumulated endowment income	-	111,928	-	111,928
Total temporarily restricted net assets	<u>\$ 10,124,893</u>	<u>\$ 5,735,834</u>	<u>\$ 5,137,359</u>	<u>\$ 10,723,368</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, 2012 CCF had received \$6.0 million of the new \$15 million commitment.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2012

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
General endowments – income for general operations	\$1,026,000	\$1,026,000

ENDOWMENT AND OTHER INVESTMENT FUNDS

Endowment and other investment funds include donor restricted funds, annuity and general operating investments. The classification by net asset type at June 30, 2012 and 2011 is as follows:

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

	<u>2011</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 111,928	\$ 1,026,000	\$ 1,137,928

CCF classifies the original value of gifts received with donor stipulations that require them to be held in perpetuity as permanently restricted net assets. Income earned on such gifts is classified as temporarily restricted until it is expended in accordance with state law as of June 30, 2011.

Changes in endowment net assets for the years ended June 30, 2012 and 2011:

	<u>2012</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</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 gains	-	(9,336)	-	(9,336)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 122,578</u>	<u>\$ 1,026,000</u>	<u>\$ 1,148,578</u>

	<u>2011</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 1,026,000	\$ 1,026,000
Investment income, net	-	22,937	-	22,937
Realized and unrealized gains	-	88,991	-	88,991
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 111,928</u>	<u>\$ 1,026,000</u>	<u>\$ 1,137,928</u>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2012

(7) ARTWORK IMPAIRMENT

Artwork held by CCF was adjusted for an impairment loss of \$110,000 during the year ended June 30, 2011 to reflect the estimated fair market value of the artwork.

(8) OTHER INCOME

For the fiscal years 2012 and 2011, other income consists of the following:

	<u>2012</u>	<u>2011</u>
Grantee payback	\$ 1,588	\$ -
MAP/DDPAA administrative fees	70,000	27,136
Miscellaneous	<u>22</u>	<u>3,772</u>
Total other income	<u>\$71,610</u>	<u>\$ 30,908</u>

(9) IN-KIND CONTRIBUTION

For the fiscal years 2012 and 2011, In-kind contributions consists of the following:

	<u>2012</u>	<u>2011</u>
Foundation In-kind support	\$ 148,594	\$ 141,518
Individual In-kind support	2,175	610
Event In-kind support	<u>18,035</u>	<u>17,100</u>
Total other income	<u>\$ 168,804</u>	<u>\$ 159,228</u>