

CREATIVE CAPITAL FOUNDATION

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

YEARS ENDED JUNE 30, 2016 AND 2015

CREATIVE CAPITAL FOUNDATION

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
<i>Statements of Financial Position,</i> June 30, 2016 and 2015	2
<i>Statement of Activities and Change in Net Assets,</i> For The Year Ended June 30, 2016	3
<i>Statement of Activities and Change in Net Assets,</i> For The Year Ended June 30, 2015	5
<i>Statement of Functional Expenses,</i> For The Year Ended June 30, 2016	7
<i>Statement of Functional Expenses,</i> For The Year Ended June 30, 2015	8
<i>Statements of Cash Flows,</i> For The Years Ended June 30, 2016 and 2015	9
<i>Notes to Financial Statements</i>	10 - 21

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, 2016 and 2015, 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, 2016 and 2015, 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
January 27, 2017**

CREATIVE CAPITAL FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 And 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,242,199	\$ 5,779,612
Short-term contributions and grants receivable (<i>Note 3</i>)	2,972,311	1,949,950
Investments (<i>Note 4</i>)	3,945,682	2,795,153
Other receivables	3,150	4,392
Prepaid expenses	<u>91,189</u>	<u>98,491</u>
Total Current Assets	<u>10,254,531</u>	<u>10,627,598</u>
NON-CURRENT ASSETS		
Long-term contributions and grants receivable – (<i>Note 3</i>)	331,284	1,381,084
Long-term investments (<i>Note 4</i>)	1,498,718	1,467,133
Equipment – at cost – net of accumulated depreciation of \$299,730 in 2016 and \$251,307 in 2015	153,270	181,874
Artwork	15,000	15,000
Security deposit	<u>54,082</u>	<u>54,082</u>
Total Non-Current Assets	<u>2,052,354</u>	<u>3,099,173</u>
Total Assets	<u>\$ 12,306,885</u>	<u>\$ 13,726,771</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses payable	\$ 861,179	\$ 755,634
Grants payable	<u>478,981</u>	<u>430,561</u>
Total Liabilities	<u>1,340,160</u>	<u>1,186,195</u>
NET ASSETS		
Unrestricted	2,130,983	3,277,513
Temporarily restricted – (<i>Note 6</i>)	7,809,742	8,237,063
Permanently restricted – (<i>Note 6</i>)	<u>1,026,000</u>	<u>1,026,000</u>
Total Net Assets	<u>10,966,725</u>	<u>12,540,576</u>
Total Liabilities and Net Assets	<u>\$ 12,306,885</u>	<u>\$ 13,726,771</u>

CREATIVE CAPITAL FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
Contributions – Core				
General Support	\$ 268,605	\$ 2,455,092	\$ -	\$ 2,723,697
Artist Services	-	200,000	-	200,000
Grantee Support	-	-	-	-
Government Support	119,723	-	-	119,723
In-kind contributions (<i>Note 8</i>)	23,145	-	-	23,145
Fundraising – net of direct expenses	<u>63,773</u>	<u>-</u>	<u>-</u>	<u>63,773</u>
Core Subtotal	<u>475,246</u>	<u>2,655,092</u>	<u>-</u>	<u>3,130,338</u>
Contributions – Special Projects				
Artist Career Development	-	218,712	-	218,712
DDPAA	-	789,694	-	789,694
Arts Writers Grant Program	-	2,173,714	-	2,173,714
MAP Fund	-	-	-	-
Program service fees	<u>269,286</u>	<u>-</u>	<u>-</u>	<u>269,286</u>
Special Projects Subtotal	<u>269,286</u>	<u>3,182,120</u>	<u>-</u>	<u>3,451,406</u>
Interest income	5,721	-	-	5,721
Investment return on short-term investments (<i>Note 4</i>)	149,486	-	-	149,486
Other (<i>Note 7</i>)	<u>77,488</u>	<u>-</u>	<u>-</u>	<u>77,488</u>
Total revenue	<u>977,227</u>	<u>5,837,212</u>	<u>-</u>	<u>6,814,439</u>
Net assets released from restrictions	<u>6,296,118</u>	<u>(6,296,118)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>7,273,345</u>	<u>(458,906)</u>	<u>-</u>	<u>6,814,439</u>

CREATIVE CAPITAL FOUNDATION

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

For The Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Expenses				
Program Services – Core				
Grant making	\$ 2,013,251	\$ -	\$ -	\$ 2,013,251
Artist services	<u>1,258,987</u>	<u>-</u>	<u>-</u>	<u>1,258,987</u>
Core Subtotal	<u>3,272,238</u>	<u>-</u>	<u>-</u>	<u>3,272,238</u>
Program Services – Special Projects				
Grant making	3,135,749	-	-	3,135,749
Artist services	193,101	-	-	193,101
Artist career development	<u>791,288</u>	<u>-</u>	<u>-</u>	<u>791,288</u>
Special Projects Subtotal	<u>4,120,138</u>	<u>-</u>	<u>-</u>	<u>4,120,138</u>
Total program services	<u>7,392,376</u>	<u>-</u>	<u>-</u>	<u>7,392,376</u>
Supporting Services				
Management and general	499,071	-	-	499,071
Fundraising	<u>528,428</u>	<u>-</u>	<u>-</u>	<u>528,428</u>
Total supporting services	<u>1,027,499</u>	<u>-</u>	<u>-</u>	<u>1,027,499</u>
Total expenses	<u>8,419,875</u>	<u>-</u>	<u>-</u>	<u>8,419,875</u>
Excess revenue over expenses before other changes	(1,146,530)	(458,906)	-	(1,605,436)
Other Changes				
Endowment return in excess of amounts designated for current operations (<i>Note 4</i>)	<u>-</u>	<u>31,585</u>	<u>-</u>	<u>31,585</u>
Total other changes	<u>-</u>	<u>31,585</u>	<u>-</u>	<u>31,585</u>
Change in net assets	(1,146,530)	(427,321)	-	(1,573,851)
Net assets as of June 30, 2015	<u>3,277,513</u>	<u>8,237,063</u>	<u>1,026,000</u>	<u>12,540,576</u>
Net assets as of June 30, 2016	<u>\$ 2,130,983</u>	<u>\$ 7,809,742</u>	<u>\$ 1,026,000</u>	<u>\$ 10,966,725</u>

CREATIVE CAPITAL FOUNDATION

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

For The Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
Contributions – Core				
General Support	\$ 404,139	\$ 1,887,392	\$ -	\$ 2,291,531
Artist Services	-	400,000	-	400,000
Grantee Support	-	125,000	-	125,000
Government Support	43,000	-	-	43,000
In-kind contributions (<i>Note 8</i>)	2,305	-	-	2,305
Fundraising – net of direct expenses	<u>106,282</u>	<u>-</u>	<u>-</u>	<u>106,282</u>
Core Subtotal	<u>555,726</u>	<u>2,412,392</u>	<u>-</u>	<u>2,968,118</u>
Contributions – Special Projects				
Artist Career Development	-	389,211	-	389,211
Arts Writers Grant Program	-	900,000	-	900,000
MAP Fund	-	-	-	-
Program service fees	<u>269,898</u>	<u>-</u>	<u>-</u>	<u>269,898</u>
Special Projects Subtotal	<u>269,898</u>	<u>1,289,211</u>	<u>-</u>	<u>1,559,109</u>
Interest income	9,631	-	-	9,631
Investment return on short-term investments (<i>Note 4</i>)	42,353	-	-	42,353
Other (<i>Note 7</i>)	<u>74,861</u>	<u>-</u>	<u>-</u>	<u>74,861</u>
Total revenue	952,469	3,701,603	-	4,654,072
Net assets released from restrictions	<u>6,474,100</u>	<u>(6,474,100)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>7,426,569</u>	<u>(2,772,497)</u>	<u>-</u>	<u>4,654,072</u>

CREATIVE CAPITAL FOUNDATION

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

For The Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Expenses				
Program Services – Core				
Grant making	\$ 1,867,445	\$ -	\$ -	\$ 1,867,445
Artist services	<u>875,832</u>	<u>-</u>	<u>-</u>	<u>875,832</u>
Core Subtotal	<u>2,743,277</u>	<u>-</u>	<u>-</u>	<u>2,743,277</u>
Program Services – Special Projects				
Grant making	3,078,373	-	-	3,078,373
Artist services	127,057	-	-	127,057
Artist career development	<u>807,649</u>	<u>-</u>	<u>-</u>	<u>807,649</u>
Special Projects Subtotal	<u>4,013,079</u>	<u>-</u>	<u>-</u>	<u>4,013,079</u>
Total program services	<u>6,756,356</u>	<u>-</u>	<u>-</u>	<u>6,756,356</u>
Supporting Services				
Management and general	311,167	-	-	311,167
Fundraising	<u>416,002</u>	<u>-</u>	<u>-</u>	<u>416,002</u>
Total supporting services	<u>727,169</u>	<u>-</u>	<u>-</u>	<u>727,169</u>
Total expenses	<u>7,483,525</u>	<u>-</u>	<u>-</u>	<u>7,483,525</u>
Excess revenue over expenses before other changes	(56,956)	(2,772,497)	-	(2,829,453)
Other Changes				
Endowment return in excess of amounts designated for current operations (<i>Note 4</i>)	<u>-</u>	<u>16,777</u>	<u>-</u>	<u>16,777</u>
Total other changes	<u>-</u>	<u>16,777</u>	<u>-</u>	<u>16,777</u>
Change in net assets	(56,956)	(2,755,720)	-	(2,812,676)
Net assets as of June 30, 2014	<u>3,334,469</u>	<u>10,992,783</u>	<u>1,026,000</u>	<u>15,353,252</u>
Net assets as of June 30, 2015	<u>\$ 3,277,513</u>	<u>\$ 8,237,063</u>	<u>\$ 1,026,000</u>	<u>\$ 12,540,576</u>

CREATIVE CAPITAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2016

	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	\$ 189,888	\$ 601,536	\$ 512,322	\$ 16,078	\$ 320,356	\$ 1,640,180	\$ 242,632	\$ 357,255	\$ 599,887	\$ 2,240,067
Fringe benefits	<u>40,373</u>	<u>127,897</u>	<u>108,928</u>	<u>3,419</u>	<u>68,113</u>	<u>348,730</u>	<u>51,588</u>	<u>75,957</u>	<u>127,545</u>	<u>476,275</u>
Total personnel	230,261	729,433	621,250	19,497	388,469	1,988,910	294,220	433,212	727,432	2,716,342
Grants	1,609,171	1,975,900	-	-	-	3,585,071	-	-	-	3,585,071
Professional fees	6,221	24,464	6,240	-	10,482	47,407	6,251	8,251	14,502	61,909
Consulting fees	23,000	62,035	87,316	60,591	235,026	467,968	164,402	440	164,842	632,810
Administration	-	70,000	-	-	-	70,000	-	-	-	70,000
Occupancy	42,300	63,360	55,405	7,040	55,405	223,510	15,941	31,368	47,309	270,819
Office supplies	5,259	5,095	5,094	-	4,044	19,492	1,951	1,972	3,923	23,415
Website	9,197	9,207	8,910	1,022	5,461	33,797	1,725	5,421	7,146	40,943
Postage and mailing	1,343	925	1,301	-	1,156	4,725	252	503	755	5,480
Printing and duplication	5,785	509	5,604	-	12,920	24,818	1,085	4,232	5,317	30,135
Telephone	1,828	4,102	1,771	216	1,495	9,412	343	686	1,029	10,441
Honorariums	29,350	113,728	-	-	-	143,078	-	-	-	143,078
Grantee Conference	-	-	359,663	-	-	359,663	-	-	-	359,663
Conferences and meetings	11,677	20,305	25,356	58,693	12,820	128,851	6,311	4,703	11,014	139,865
Travel	14,836	41,822	59,307	41,384	45,185	202,534	4,906	6,788	11,694	214,228
Dues and subscriptions	4,027	7,593	3,153	-	2,850	17,623	541	1,082	1,623	19,246
Insurance	3,317	221	3,428	1	2,101	9,068	663	1,327	1,990	11,058
Advertising	1,113	1,686	1,078	2,584	662	7,123	209	417	626	7,749
Special events	-	-	-	-	-	-	-	22,564	22,564	22,564
Office move	-	-	-	-	-	-	-	-	-	-
Loan Fund	-	-	-	2,073	-	2,073	-	-	-	2,073
Refunds	-	-	-	-	4,562	4,562	-	-	-	4,562
Depreciation	<u>14,566</u>	<u>5,364</u>	<u>14,111</u>	<u>-</u>	<u>8,650</u>	<u>42,691</u>	<u>271</u>	<u>5,462</u>	<u>5,733</u>	<u>48,424</u>
Total	<u>\$ 2,013,251</u>	<u>\$ 3,135,749</u>	<u>\$ 1,258,987</u>	<u>\$ 193,101</u>	<u>\$ 791,288</u>	<u>\$ 7,392,376</u>	<u>\$ 499,071</u>	<u>\$ 528,428</u>	<u>\$ 1,027,499</u>	<u>\$ 8,419,875</u>

See notes to the financial statements.

CREATIVE CAPITAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES – (Continued)

For The Year Ended June 30, 2015

	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	\$ 170,408	\$ 594,466	\$ 449,091	\$ 20,651	\$ 318,023	\$ 1,552,639	\$ 203,980	\$ 272,885	\$ 476,865	\$ 2,029,504
Fringe benefits	<u>37,490</u>	<u>130,783</u>	<u>98,800</u>	<u>4,542</u>	<u>69,965</u>	<u>341,580</u>	<u>44,940</u>	<u>60,038</u>	<u>104,978</u>	<u>446,558</u>
Total personnel	207,898	725,249	547,891	25,193	387,988	1,894,219	248,920	332,923	581,843	2,476,062
Grants	1,388,201	1,874,526	-	-	-	3,262,727	-	-	-	3,262,727
Professional fees	5,414	10,828	5,414	10,828	10,827	43,311	5,412	5,414	10,826	54,137
Consulting fees	64,797	48,432	114,519	36,510	243,130	507,388	6,391	-	6,391	513,779
Administration	-	70,000	-	-	-	70,000	-	-	-	70,000
Occupancy	87,569	97,797	42,931	6,211	51,995	286,503	16,419	32,838	49,257	335,760
Office supplies	5,580	6,114	5,406	2,061	4,650	23,811	1,046	2,093	3,139	26,950
Website	5,873	10,221	5,689	1,080	3,487	26,350	1,101	2,202	3,303	29,653
Postage and mailing	2,676	1,478	2,592	-	1,691	8,437	502	1,003	1,505	9,942
Printing and duplication	9,688	6,075	8,873	-	14,170	38,806	3,434	6,870	10,304	49,110
Telephone	3,476	6,160	3,367	324	2,646	15,973	652	1,303	1,955	17,928
Honorariums	43,020	100,335	-	-	-	143,355	-	-	-	143,355
Grantee Conference	-	-	26,943	-	-	26,943	-	-	-	26,943
Conferences and meetings	5,618	35,211	25,586	23,262	1,593	91,270	20,781	6,637	27,418	118,688
Travel	17,357	71,563	64,033	10,016	56,099	219,068	1,986	8,747	10,733	229,801
Dues and subscriptions	2,476	7,294	5,310	-	963	16,043	344	608	952	16,995
Insurance	655	1,910	655	1,800	874	5,894	655	655	1,310	7,204
Advertising	7,820	2,539	7,575	7,809	8,032	33,775	1,466	7,193	8,659	42,434
Special events	-	-	-	-	-	-	-	3,781	3,781	3,781
Office move	380	856	380	193	380	2,189	380	380	760	2,949
Loan Fund	-	-	-	1,770	-	1,770	-	-	-	1,770
Refunds	-	-	-	-	13,812	13,812	-	-	-	13,812
Depreciation	<u>8,947</u>	<u>1,785</u>	<u>8,668</u>	<u>-</u>	<u>5,312</u>	<u>24,712</u>	<u>1,678</u>	<u>3,355</u>	<u>5,033</u>	<u>29,745</u>
Total	<u>\$ 1,867,445</u>	<u>\$ 3,078,373</u>	<u>\$ 875,832</u>	<u>\$ 127,057</u>	<u>\$ 807,649</u>	<u>\$ 6,756,356</u>	<u>\$ 311,167</u>	<u>\$ 416,002</u>	<u>\$ 727,169</u>	<u>\$ 7,483,525</u>

CREATIVE CAPITAL FOUNDATION

STATEMENTS OF CASH FLOWS

For The Years Ended June 30, 2016 And 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(1,573,851)	\$(2,812,676)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	48,424	29,745
Realized/unrealized (gain) loss on investments	(63,085)	17,362
Change in contributions and grants receivable	27,439	890,731
Change in other receivables	1,242	32,023
Change in prepaid expenses	7,302	(67,494)
Change in security deposit	-	3,400
Change in accounts and accrued expenses payable	105,545	177,246
Change in grants payable	<u>48,420</u>	<u>120,839</u>
Net cash used for operating activities	<u>(1,398,564)</u>	<u>(1,608,824)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(4,573,279)	(600,622)
Proceeds from sale of investments	3,454,250	66,543
Purchases of fixed assets	<u>(19,820)</u>	<u>(29,533)</u>
Net cash used for investing activities	<u>(1,138,849)</u>	<u>(563,612)</u>
Net decrease in cash	(2,537,413)	(2,172,436)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>5,779,612</u>	<u>7,952,048</u>
End of year	<u>\$ 3,242,199</u>	<u>\$ 5,779,612</u>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

(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 awardees 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. It has subsequently been funded by the Doris Duke and Mellon Foundations. Subsequent to year end, in September 2016, MAP was spun off as a separately incorporated entity. 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.

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, 2016

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, 2016

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 (2012 – 2014) or expected to be taken in CCF's 2015 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, 2016 and 2015 are expected to be realized as follows:

	<u>2016</u>	<u>2015</u>
In one year or less	\$ 2,972,311	\$ 1,949,950
In one to five years	<u>361,000</u>	<u>1,483,284</u>
	3,333,311	3,433,234
Less: discount	<u>(29,716)</u>	<u>(102,200)</u>
Net contributions and grants receivable	<u>\$ 3,303,595</u>	<u>\$ 3,331,034</u>

In determining the present value of the expected future cash flows, a discount rate of 3% was applied at June 30, 2016 and 2015.

As of June 30, 2016 and 2015, all contributions receivable is considered temporarily restricted. Management expects all pledges to be fully collected and, accordingly, no allowance for doubtful pledges has been provided.

Contributions receivable designated for the MAP fund which are included in the 2016 balance are approximately \$1,060,000. These assets will be transferred in 2017 to the newly formed MAP entity.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2016

(4) INVESTMENTS

Investments are carried at fair value unless otherwise indicated. A summary of investments, including cost and cash equivalents at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalent	\$ 1,719	\$ 1,288,569
Equity securities	-	325,515
Fixed income securities	-	419,292
Fixed income funds	2,195,610	721,787
Equity funds	<u>3,247,071</u>	<u>1,507,123</u>
Total	<u>\$ 5,444,400</u>	<u>\$ 4,262,286</u>
Investments are classified as follows:		
Short-term investments	\$ 3,945,682	\$ 2,795,153
Long-term investments:	<u>1,498,718</u>	<u>1,467,133</u>
Total	<u>\$ 5,444,400</u>	<u>\$ 4,262,286</u>
Investment return:		
Interest and dividends, net of investment expenses of \$16,426 and \$27,813, respectively	\$ 117,986	\$ 76,492
Realized gains on investments	215,133	50,272
Unrealized gains (losses) on investments	<u>(152,048)</u>	<u>(67,634)</u>
Total investment return	181,071	59,130
Investment return allocated to long-term investments	<u>(31,585)</u>	<u>(16,777)</u>
Investment return on short-term investments	<u>\$ 149,486</u>	<u>\$ 42,353</u>

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

	<u>2016</u>		
	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Interest and dividends (net of investment expenses of \$4,562)	\$ -	\$ 31,325	\$ 31,325
Net realized and unrealized losses	<u>-</u>	<u>260</u>	<u>260</u>
Endowment return on long-term investments	-	31,585	31,585
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>\$ 31,585</u>	<u>\$ 31,585</u>
	<u>2015</u>		
	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Interest and dividends (net of investment expenses of \$10,142)	\$ -	\$ 21,501	\$ 21,501
Net realized and unrealized losses	<u>-</u>	<u>(4,724)</u>	<u>(4,724)</u>
Endowment return on long-term investments	-	16,777	16,777
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>\$ 16,777</u>	<u>\$ 16,777</u>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2016

(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 Foundation 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 Foundation’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 Foundation’s assets and liabilities that are carried at fair value as of June 30, 2016 and 2015 are as follows:

	2016			Total
	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs	
Cash and money market funds	\$ 1,719	\$ -	\$ -	\$ 1,719
Fixed income funds	2,195,610	-	-	2,195,610
Equity funds	<u>3,247,071</u>	-	-	<u>3,247,071</u>
	<u>\$ 5,444,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,444,400</u>

	2015			Total
	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs	
Cash and money market funds	\$ 1,288,569	\$ -	\$ -	\$ 1,288,569
Equity securities	325,515	-	-	325,515
Fixed income securities	-	419,292	-	419,292
Fixed income funds	721,787	-	-	721,787
Equity funds	<u>1,507,123</u>	-	-	<u>1,507,123</u>
	<u>\$ 3,842,994</u>	<u>\$ 419,292</u>	<u>\$ -</u>	<u>\$ 4,262,286</u>

There were no transfers between Level 1 and Level 2 during the year ended June 30, 2016 or 2015.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2016

(6) NET ASSETS

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following for the years ended June 30, 2016 and 2015:

	2016			Ending Balances
	Beginning Balances	Additions	Releases	
Bloomberg Philanthropies	\$ -	\$ 98,989	\$ 50,000	\$ 48,989
Booth Ferris	72,889	-	72,889	-
The Doris Duke Charitable Foundation	3,461,091	1,037,167	2,392,707	2,105,551 ^(a)
Robert Deutsch Foundation	50,000	-	50,000	-
The Geraldine R. Dodge Foundation	50,000	-	-	50,000
The Andy Warhol Foundation for the Visual Arts:				
General support *	1,504,563	1,500,000	1,504,563	1,500,000
Occupancy (Note 10)	136,835	212,521	195,308	154,048
Cash reserve *	1,000,000	-	-	1,000,000
Arts Writers Grant Program	-	2,173,714	1,090,000	1,083,714
Rockefeller Cultural Innovation	5,512	-	5,512	-
Two Sister and a Wife Foundation	109,600	-	18,000	91,600
Mellon Foundation	250,000	-	250,000	-
NYSCA	-	40,000	20,000	20,000
LEF Foundation	5,877	18,262	24,139	-
NEA	-	64,827	35,000	29,827
Lyda Kuth	-	63,200	-	63,200
Ronald Feldman	17,899	-	5,000	12,899
DCA	-	14,896	12,000	2,896
Colleen Jennings-Roggensack	-	2,443	1,000	1,443
Offield Foundation	-	40,000	20,000	20,000
Catherine & Jeffrey Soros	-	121,121	25,000	96,121
Hearst Foundation	50,000	-	50,000	-
Stephen Reily	114,493	-	-	114,493
William K. Bowes Jr. Foundation	-	242,243	50,000	192,243
Paige West	42,171	7,829	50,000	-
The TOBY Fund	-	200,000	200,000	-
Westenberger Estate	750,000	-	-	750,000
Howard Gilman Foundation	75,000	-	75,000	-
Tides and Lambent Foundation	100,000	-	100,000	-
Accumulated endowment income	<u>441,133</u>	<u>31,585</u>	<u>-</u>	<u>472,718</u>
Total temporarily restricted net assets	<u>\$ 8,237,063</u>	<u>\$ 5,868,797</u>	<u>\$ 6,296,118</u>	<u>\$ 7,809,742</u>

(a) Balance includes approximately \$1,225,000 designated for the MAP Fund Program which was spun off as a separately incorporated entity subsequent to year-end. In 2017, these net assets were transferred to the newly formed entity.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2016

	2015			Ending Balances
	Beginning Balances	Additions	Releases	
Bloomberg Philanthropies	\$ 48,593	\$ -	\$ 48,593	\$ -
Booth Ferris	147,889	-	75,000	72,889
The Doris Duke Charitable Foundation	6,051,954	-	2,590,863	3,461,091
Robert Deutsch Foundation	-	100,000	50,000	50,000
The Geraldine R. Dodge Foundation	-	80,000	30,000	50,000
The Andy Warhol Foundation for the Visual Arts:				
General support *	1,600,000	1,500,000	1,595,437	1,504,563
Occupancy (<i>Note 10</i>)	125,102	189,211	177,478	136,835
Cash reserve *	1,000,000	-	-	1,000,000
Arts Writers Grant Program	21,298	900,000	921,298	-
Rockefeller Cultural Innovation	7,298	-	1,786	5,512
Two Sister and a Wife Foundation	134,600	-	25,000	109,600
Mellon Foundation	500,000	-	250,000	250,000
Herradura	-	70,000	70,000	-
LEF Foundation	30,912	-	25,035	5,877
The Kresge Foundation	10,000	-	10,000	-
Cordish Family Fund	15,680	-	15,680	-
Ronald Feldman	-	22,899	5,000	17,899
Ed and Eve Colloton Family Fund	2,430	-	2,430	-
Muriel Pollia Foundation	-	50,000	50,000	-
Hearst Foundation	-	50,000	-	50,000
Stephen Reily	12,625	114,493	12,625	114,493
William K. Bowes Jr. Foundation	17,875	-	17,875	-
Paige West	92,171	-	50,000	42,171
The TOBY Fund	-	200,000	200,000	-
Westenberger Estate	750,000	150,000	150,000	750,000
Howard Gilman Foundation	-	75,000	-	75,000
Tides and Lambent Foundation	-	200,000	100,000	100,000
Accumulated endowment income	<u>424,356</u>	<u>16,777</u>	<u>-</u>	<u>441,133</u>
Total temporarily restricted net assets	<u>\$ 10,992,783</u>	<u>\$ 3,718,380</u>	<u>\$ 6,474,100</u>	<u>\$ 8,237,063</u>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2016

- * 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, 2016, CCF had received \$12 million of the new \$15 million commitment.

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</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.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2016

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

RETURN OBJECTIVES AND RISK PARAMETERS

According to policy approved by the Board of Directors on August 26, 2015, 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 will be diversified with the intent to minimize the risk of large losses to the funds as follows:

1. With the exception of fixed income investments explicitly guaranteed by the U.S. Government, no single investment security shall represent more than 5% of total portfolio assets;
2. With the exception of passively managed investment vehicles seeking to match the returns on broadly diversified market index, no single investment pool or investment company (mutual fund) shall comprise more than 20% of total portfolio assets;
3. With respect to fixed income investments, for individual bonds, the minimum average credit quality of these investments shall be investment grade (Standard & Poor’s, BBB, or Moody’s Baa or higher).

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2016

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, 2016 and 2015.

The classification by net asset type at June 30, 2016 and 2015 is as follows:

	<u>2016</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ -	\$472,718	\$1,026,000	\$1,498,718

	<u>2015</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ -	\$441,133	\$1,026,000	\$1,467,133

Changes in endowment net assets for the years ended June 30, 2016 and 2015:

	<u>2016</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, beginning of year	\$ -	\$441,133	\$1,026,000	\$1,467,133
Investment income, net	-	31,325	-	31,325
Realized and unrealized gains	-	260	-	260
Endowment net assets, end of year	\$ -	\$472,718	\$1,026,000	\$1,498,718

	<u>2015</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, beginning of year	\$ -	\$424,356	\$1,026,000	\$1,450,356
Investment income, net	-	21,501	-	21,501
Realized and unrealized gains	-	(4,724)	-	(4,724)
Endowment net assets, end of year	\$ -	\$441,133	\$1,026,000	\$1,467,133

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2016

(7) OTHER INCOME

For the fiscal years 2016 and 2015, other income consists of the following:

	<u>2016</u>	<u>2015</u>
MAP/DDPAA administrative fees	\$70,000	\$ 70,000
Grantee payback	1,131	-
Miscellaneous	<u>6,357</u>	<u>4,861</u>
Total other income	<u>\$77,488</u>	<u>\$ 74,861</u>

(8) IN-KIND CONTRIBUTION

For the fiscal years 2016 and 2015, In-kind contributions consists of the following:

	<u>2016</u>	<u>2015</u>
Community Supported Artists In-kind support	\$21,820	\$ -
Individual In-kind support	<u>1,325</u>	<u>2,305</u>
Total other income	<u>\$23,145</u>	<u>\$ 2,305</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 2016 and 2015, CCF incurred approximately \$103,000, respectively.

(10) LEASE COMMITMENTS

CCF leases its office facilities in New York City under an operating lease expiring on August 31, 2026. In connection with this lease, CCF was granted a five month rent holiday. As such, deferred rent in the amount of \$165,478 and \$135,167 has been recognized and included in accounts payable and accrued expenses payable in the Statement of Financial Position as of June 30, 2016 and 2015, respectively. The leases are subject to adjustments for escalations and certain operating expenses. Rent expense for the years ended June 30, 2016 and 2015 was approximately \$230,000 and \$299,000, respectively and is subsidized by designated grants from the Andy Warhol Foundation.

Approximate future minimum rentals under all non-cancelable operating leases are as follows:

	<u>Office Facilities</u>
2017	\$ 228,700
2018	234,400
2019	240,300
2020	251,100
2021	271,700
2022 and thereafter	<u>1,515,900</u>
	<u>\$2,742,100</u>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2016

(10) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, January 27, 2017, 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.