

# **CREATIVE CAPITAL FOUNDATION**

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

**YEARS ENDED JUNE 30, 2011 AND 2010**

# CREATIVE CAPITAL FOUNDATION

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*TAIT, WELLER & BAKER LLP*  
*Certified Public Accountants*

**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, 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. The prior year information has been derived from Creative Capital Foundation's 2010 financial statements which were audited by other auditors, whose report dated October 5, 2010, expressed an unqualified opinion on those financial statements.

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 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 audit provides 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, 2011, and the statement of activities and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania  
January 11, 2012**

# CREATIVE CAPITAL FOUNDATION

## STATEMENT OF FINANCIAL POSITION

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 5,162,760	\$ 4,574,766
Short-term contributions and grants receivable ( <i>Note 3</i> )	2,442,500	1,785,000
Investments ( <i>Note 4</i> )	1,844,512	1,774,425
Other receivables	7,200	24,542
Equipment – at cost – net of accumulated depreciation of \$137,912 in 2011 and \$122,603 in 2010	21,523	21,702
Artwork – ( <i>Note 7</i> )	15,000	125,000
Prepaid expenses	34,921	16,584
Security deposit	<u>3,200</u>	<u>3,200</u>
<b>Total Current Assets</b>	<u>9,531,616</u>	<u>8,325,219</u>
<b>NON-CURRENT ASSETS</b>		
Long-term contributions and grants receivable – ( <i>Note 3</i> )	3,500,038	3,768,398
Long-term investments ( <i>Note 4</i> )	<u>1,137,928</u>	<u>1,026,000</u>
<b>Total Non-Current Assets</b>	<u>4,637,966</u>	<u>4,794,398</u>
<b>Total Assets</b>	<u>\$ 14,169,582</u>	<u>\$ 13,119,617</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses payable	\$ 485,477	\$ 431,486
Grants payable	<u>-</u>	<u>113,103</u>
<b>Total Liabilities</b>	<u>485,477</u>	<u>544,589</u>
<b>NET ASSETS</b>		
Unrestricted	1,486,501	1,289,038
Unrestricted – reserved – ( <i>Note 6</i> )	<u>448,236</u>	<u>135,097</u>
<b>Total Unrestricted Net Assets</b>	1,934,737	1,424,135
Temporarily restricted – ( <i>Note 6</i> )	10,723,368	10,124,893
Permanently restricted – ( <i>Note 6</i> )	<u>1,026,000</u>	<u>1,026,000</u>
<b>Total Net Assets</b>	<u>13,684,105</u>	<u>12,575,028</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 14,169,582</u>	<u>\$ 13,119,617</u>

# CREATIVE CAPITAL FOUNDATION

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenue</b>				
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>
<b>Core Subtotal</b>	<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>
<b>Special Projects Subtotal</b>	<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>
<b>Total revenue</b>	<u>1,045,812</u>	<u>5,623,906</u>	<u>-</u>	<u>6,669,718</u>
Net assets released from restrictions	<u>5,137,359</u>	<u>(5,137,359)</u>	<u>-</u>	<u>-</u>
<b>Total revenue</b>	<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>
<b>Expenses</b>				
Program Services – Core				
Grant making	\$ 848,078	\$ -	\$ -	\$ 848,078
Artist services	<u>519,789</u>	<u>-</u>	<u>-</u>	<u>519,789</u>
<b>Core Subtotal</b>	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>
<b>Special Projects Subtotal</b>	<u>3,596,099</u>	<u>-</u>	<u>-</u>	<u>3,596,099</u>
<b>Total program services</b>	<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>
<b>Total supporting services</b>	<u>598,603</u>	<u>-</u>	<u>-</u>	<u>598,603</u>
<b>Total expenses</b>	<u>5,562,569</u>	<u>-</u>	<u>-</u>	<u>5,562,569</u>
<b>Excess revenue over expenses     before other changes</b>	620,602	486,547	-	1,107,149
<b>Other Changes</b>				
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>
<b>Total other changes</b>	(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 ACTIVITIES AND CHANGES IN NET ASSETS – (Continued)

For The Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenue</b>				
Contributions	\$ 470,086	\$ 4,844,621	\$ -	\$ 5,314,707
Program service fees	280,281	-	-	280,281
In-kind contribution	227,729	-	-	227,729
Interest income	18,964	-	-	18,964
Investment return on short-term Investments ( <i>Note 4</i> )	87,154	-	-	87,154
Endowment return designated for current operations ( <i>Note 4</i> )	111,820	-	-	111,820
Fundraising – net of direct expenses	(67,575)	-	-	(67,575)
Other ( <i>Note 8</i> )	36,355	-	-	36,355
<b>Total revenue</b>	<u>1,164,814</u>	<u>4,844,621</u>	<u>-</u>	<u>6,009,435</u>
Net assets released from restrictions	<u>5,887,109</u>	<u>(5,887,109)</u>	<u>-</u>	<u>-</u>
<b>Total revenue</b>	<u>7,051,923</u>	<u>(1,042,488)</u>	<u>-</u>	<u>6,009,435</u>
<b>Expenses</b>				
Program services				
Grant making	3,863,727	-	-	3,863,727
Artist services	982,925	-	-	982,925
Artist career development	800,568	-	-	800,568
<b>Total program services</b>	<u>5,647,220</u>	<u>-</u>	<u>-</u>	<u>5,647,220</u>
Supporting Services				
Management and general	241,243	-	-	241,243
Fundraising	422,710	-	-	422,710
<b>Total supporting services</b>	<u>663,953</u>	<u>-</u>	<u>-</u>	<u>663,953</u>
<b>Total expenses</b>	<u>6,311,173</u>	<u>-</u>	<u>-</u>	<u>6,311,173</u>
Change in net assets	740,750	(1,042,488)	-	(301,738)
Net assets as of June 30, 2009	<u>683,385</u>	<u>11,167,381</u>	<u>1,026,000</u>	<u>12,876,766</u>
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>

# CREATIVE CAPITAL FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2011

	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
<b>Total</b>	<b>\$848,078</b>	<b>\$2,386,787</b>	<b>\$519,789</b>	<b>\$228,117</b>	<b>\$981,195</b>	<b>\$4,963,966</b>	<b>\$213,696</b>	<b>\$384,907</b>	<b>\$598,603</b>	<b>\$5,562,569</b>



# CREATIVE CAPITAL FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES – (Continued)

For The Year Ended June 30, 2010 – (For comparative purposes)

	Program Services				Supporting Services			Total Program And Supporting Services
	Grantmaking	Artist Services	Artist Career Development	Total	Management And General	Fund- Raising	Total	
Salaries	\$ 361,702	\$500,524	\$301,104	\$ 1,163,330	\$174,600	\$305,041	\$479,641	\$ 1,642,971
Fringe benefits	<u>64,352</u>	<u>89,016</u>	<u>53,559</u>	<u>206,927</u>	<u>31,067</u>	<u>54,259</u>	<u>85,326</u>	<u>292,253</u>
Total personnel	426,054	589,540	354,663	1,370,257	205,667	359,300	564,967	1,935,224
Grants	3,154,210	-	-	3,154,210	-	-	-	3,154,210
Professional fees	12,927	13,344	7,923	34,194	2,502	5,004	7,506	41,700
Consulting fees	57,947	53,690	298,212	409,849	8,039	-	8,039	417,888
Administrative fees	36,136	-	-	36,136	-	-	-	36,136
Occupancy	52,839	54,543	32,385	139,767	10,227	20,453	30,680	170,447
Office supplies	6,870	7,092	4,211	18,173	1,330	2,659	3,989	22,162
Website	4,091	4,223	2,507	10,821	792	1,584	2,376	13,197
Postage and mailing	4,600	4,748	2,819	12,167	890	1,781	2,671	14,838
Printing and duplication	2,293	2,367	16,976	21,636	1,368	1,368	2,736	24,372
Telephone	4,435	4,579	2,719	11,733	858	1,717	2,575	14,308
Design	3,209	3,311	1,967	8,487	621	1,242	1,863	10,350
Honorariums	43,305	17,150	-	60,455	-	-	-	60,455
Promotions	1,820	1,879	1,116	4,815	352	705	1,057	5,872
Grantee conference	-	181,560	-	181,560	-	-	-	181,560
Repairs and maintenance	1,941	2,003	1,190	5,134	376	751	1,127	6,261
Conferences and meetings	12,324	9,994	1,356	23,674	3,140	511	3,651	27,325
Travel	24,538	18,334	64,619	107,491	2,794	5,037	7,831	115,322
Dues and subscriptions	3,707	3,827	2,272	9,806	718	1,435	2,153	11,959
Insurance	1,049	1,082	643	2,774	203	406	609	3,383
Special events	-	-	-	-	-	16,026	16,026	16,026
Advertising	1,840	1,899	1,127	4,866	356	712	1,068	5,934
Refunds and contingencies	2,375	2,375	665	5,415	-	-	-	5,415
Depreciation	<u>5,217</u>	<u>5,385</u>	<u>3,198</u>	<u>13,800</u>	<u>1,010</u>	<u>2,019</u>	<u>3,029</u>	<u>16,829</u>
<b>Total</b>	<u>\$3,863,727</u>	<u>\$982,925</u>	<u>\$800,568</u>	<u>\$5,647,220</u>	<u>\$241,243</u>	<u>\$422,710</u>	<u>\$663,953</u>	<u>\$6,311,173</u>

The notes to the financial statements.

# CREATIVE CAPITAL FOUNDATION

## STATEMENTS OF CASH FLOWS

For The Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,109,077	\$ (301,738)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,309	16,829
Realized/unrealized gain on investments	(116,349)	(169,453)
Impairment loss on artwork	110,000	-
Change in contributions and grants receivable	(389,140)	364,268
Change in other receivables	17,342	(17,882)
Change in prepaid expenses	(18,337)	567
Change in accounts and accrued expenses payable	53,991	355,131
Change in grants payable	<u>(113,103)</u>	<u>(189,916)</u>
<b>Net cash provided by operating activities</b>	<u>668,790</u>	<u>57,806</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(6,579,026)	(1,589,021)
Sale of investments	6,513,360	3,586,686
Acquisition of fixed assets	<u>(15,130)</u>	<u>(6,020)</u>
<b>Net cash (used for) provided by investing activities</b>	<u>(80,796)</u>	<u>1,991,645</u>
<b>Net increase in cash</b>	587,994	2,049,451
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>4,574,766</u>	<u>2,525,315</u>
End of year	<u>\$ 5,162,760</u>	<u>\$ 4,574,766</u>

# CREATIVE CAPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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### (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.

### (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 11, 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, 2011

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### ***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, 2011

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### **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 (2008 – 2010) or expected to be taken in CCF's 2011 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, 2011 and 2010 are expected to be realized as follows:

	<u>2011</u>	<u>2010</u>
In one year or less	\$ 2,442,500	\$ 1,785,000
In one to five years	<u>3,715,092</u>	<u>4,017,500</u>
	6,157,592	5,802,500
Less: discount	<u>(215,054)</u>	<u>(249,102)</u>
Net contributions and grants receivable	<u>\$ 5,942,538</u>	<u>\$ 5,553,398</u>

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

As of June 30, 2011, 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, 2011

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### (4) INVESTMENTS

Investments are carried at fair value unless otherwise indicated. A summary of investments, including cost and cash equivalents at June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalent	\$ 1,205,074	\$ 2,800,425
Equities	733,770	-
Preferred Stocks	2,780	-
Fixed Income Securities	418,636	-
Fixed Income Funds	566,552	-
Equity Funds	<u>55,628</u>	<u>-</u>
Total	<u>\$ 2,982,440</u>	<u>\$ 2,800,425</u>
Investments are classified as follows:		
Short-term investments	\$ 1,844,512	\$ 1,774,425
Long-term investments:	<u>1,137,928</u>	<u>1,026,000</u>
Total	<u>\$ 2,982,440</u>	<u>\$ 2,800,425</u>
Investment return:		
Interest and dividends, net of investment expenses of \$15,159 and \$3,767, respectively	\$ 55,568	\$ 29,146
Realized gains on investments	71,816	169,828
Unrealized gains on investments	<u>44,533</u>	<u>-</u>
Total investment return	171,917	198,974
Investment return allocated to long-term investments	<u>(111,928)</u>	<u>(111,820)</u>
Investment return on short-term investments	<u>\$ 59,989</u>	<u>\$ 87,154</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, 2011, no amounts were appropriated by the governing board and such income is classified as temporarily restricted until appropriated. Commencing in fiscal year 2012, the board will authorize prudent endowment spending.

# CREATIVE CAPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2011

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

	2011		<u>Total</u>
	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	
Interest and dividends (net of investment expenses of \$15,159)	\$ -	\$ 22,937	\$ 22,937
Net realized and unrealized gains	-	<u>88,991</u>	<u>88,991</u>
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	<u>\$ -</u>	<u>\$ 111,928</u>	<u>\$ 111,928</u>

	2010		<u>Total</u>
	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	
Interest and dividends (net of investment expenses of \$3,767)	\$ 13,081	\$ -	\$ 13,081
Net realized and unrealized gains	<u>98,739</u>	-	<u>98,739</u>
Endowment return on long-term investments	111,820	-	111,820
Endowment return designated for current operations	<u>111,820</u>	-	<u>111,820</u>
Endowment return in excess of amounts designated for current operations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

### (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, 2011

The summary of inputs used to value the Organization's assets and liabilities that are carried at fair value as of June 30, 2011 and 2010 are as follows:

	<b>2011</b>			<b>Total</b>
	<b>Level 1 Quoted Prices</b>	<b>Level 2 Significant Observable Inputs</b>	<b>Level 3 Significant Unobservable Inputs</b>	
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>

  

	<b>2010</b>			<b>Total</b>
	<b>Level 1 Quoted Prices</b>	<b>Level 2 Significant Observable Inputs</b>	<b>Level 3 Significant Unobservable Inputs</b>	
Cash and Money Market Funds	\$2,800,425	\$ -	\$ -	\$2,800,425

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

### (6) NET ASSETS

#### UNRESTRICTED NET ASSETS

For 2011 and 2010, CCF reserved 50% of all unrestricted contributions (both unrestricted and restricted contributions released during the current year) to fund grants to artists as follows:

	<b>2011</b>
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>

  

	<b>2010</b>
Beginning balance	\$ 110,710
Unrestricted contributions received (\$470,086 x 50%)	\$ 235,043
Restricted contributions released (\$5,887,109 x 50%)	<u>2,943,554</u>
Additional reserved	<u>3,178,597</u>
Total reserved contributions available	3,289,307
Grants to artists	<u>(3,154,210)</u>
Net unrestricted reserved balance at end of year	<u>\$ 135,097</u>



# CREATIVE CAPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2011

### TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following for the years ended June 30, 2011 and 2010:

	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>

# CREATIVE CAPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2011

	2010			Ending Balances
	Beginning Balances	Additions	Releases	
The Emily Hall Tremaine Foundation	\$ -	\$ 50,000	\$ 50,000	\$ -
The Doris Duke Charitable Foundation	3,234,531	427,800	1,908,059	1,754,272
The Andy Warhol Foundation for the Visual Arts:				
General support *	1,000,000	1,500,000	1,500,000	1,000,000
Cash reserve *	1,000,000	-	-	1,000,000
Arts Writers Grant Program	4,638,872	-	1,098,347	3,540,525
The William and Flora Hewlett Foundation	172,333	-	125,000	47,333
The Muriel Pollia Foundation	100,000	-	50,000	50,000
The Ford Foundation	91,667	-	91,667	-
James Irvine Foundation	102,000	-	102,000	-
Rockefeller MAP Fund	631,845	-	466,666	165,179
Rockefeller Cultural Innovation	-	149,655	43,733	105,922
Mellon Foundation	-	250,000	-	250,000
The Nathan Cummings Foundation	-	100,000	20,000	80,000
Concordia Foundation	-	25,000	25,000	-
Met Life Foundation	25,000	-	25,000	-
LEF Foundation	171,133	-	25,000	146,133
The Kresge Foundation	-	1,463,280	189,137	1,274,143
Cordish Family Fund	-	115,680	25,000	90,680
Jeffrey and Catharine Soros	-	231,360	50,000	181,360
Ronald Feldman	-	23,568	5,000	18,568
Ed and Eve Collotion Family Fund	-	27,430	5,000	22,430
James Schamus	-	4,627	1,000	3,627
Rappaport Family Foundation	-	73,860	25,000	48,860
Ruby Lerner	-	6,890	1,500	5,390
Stephen Reily	-	127,596	5,000	122,596
William K. Bowes Jr. Foundation	-	267,875	50,000	217,875
Total temporarily restricted net assets	<u>\$ 11,167,381</u>	<u>\$ 4,844,621</u>	<u>\$ 5,887,109</u>	<u>\$ 10,124,893</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 performance. 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, 2011 CCF had received \$4.5 million of the new \$15 million commitment.

# CREATIVE CAPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2011

### PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at February 28, 2011 and 2010:

	<u>2011</u>	<u>2010</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, 2011 and 2010 is as follows:

	<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

	<u>2010</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,026,000	\$ 1,026,000

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, 2011 and 2010:

	<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	\$ -	\$ 111,928	\$ 1,026,000	\$ 1,137,928

	<u>2010</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	13,081	-	-	13,081
Realized and unrealized gains	98,739	-	-	98,739
Endowment income designated for current operations	(111,820)	-	-	(111,820)
Endowment net assets, end of year	\$ -	\$ -	\$ 1,026,000	\$ 1,026,000

# CREATIVE CAPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2011

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### (7) ARTWORK IMPAIRMENT

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

### (8) OTHER INCOME

For the fiscal years 2011 and 2010, other income consists of the following:

	<u>2011</u>	<u>2010</u>
Grantee payback	\$ -	\$ 219
MAP administrative fee	27,136	36,136
Miscellaneous	<u>3,772</u>	<u>-</u>
Total other income	<u>\$30,908</u>	<u>\$ 36,355</u>

### (9) IN-KIND CONTRIBUTION

For the fiscal years 2011 and 2010, In-kind contributions consists of the following:

	<u>2011</u>	<u>2010</u>
Foundation In-kind support	\$141,518	\$134,779
Individual In-kind support	610	1,850
Event In-kind support	<u>17,100</u>	<u>91,100</u>
Total other income	<u>\$159,228</u>	<u>\$227,729</u>