

CREATIVE CAPITAL FOUNDATION

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

YEARS ENDED JUNE 30, 2018 AND 2017

CREATIVE CAPITAL FOUNDATION

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of Creative Capital Foundation which comprise the statement of financial position as of June 30, 2018 and 2017, 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, 2018 and 2017, 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 17, 2019**

CREATIVE CAPITAL FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 And 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$2,413,595	\$2,195,495
Short-term contributions and grants receivable (<i>Note 3</i>)	856,188	1,051,283
Investments (<i>Note 4</i>)	3,710,739	3,535,390
Prepaid expenses and other assets	<u>70,785</u>	<u>60,056</u>
Total current assets	<u>7,051,307</u>	<u>6,842,224</u>
NON-CURRENT ASSETS		
Long-term contributions and grants receivable – (<i>Note 3</i>)	200,322	987,661
Long-term investments (<i>Note 4</i>)	1,796,411	1,685,758
Equipment – at cost – net of accumulated depreciation of \$459,259 in 2018 and \$447,296 in 2017	10,361	16,173
Security deposit	<u>54,082</u>	<u>54,082</u>
Total non-current assets	<u>2,061,176</u>	<u>2,743,674</u>
Total assets	<u>\$9,112,483</u>	<u>\$9,585,898</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses payable	\$ 346,449	\$ 381,857
Grants payable	<u>203,451</u>	<u>293,537</u>
Total liabilities	<u>549,900</u>	<u>675,394</u>
NET ASSETS		
Unrestricted	1,515,996	1,570,248
Temporarily restricted – (<i>Note 6</i>)	6,020,587	6,314,256
Permanently restricted – (<i>Note 6</i>)	<u>1,026,000</u>	<u>1,026,000</u>
Total net assets	<u>8,562,583</u>	<u>8,910,504</u>
Total liabilities and net assets	<u>\$9,112,483</u>	<u>\$9,585,898</u>

CREATIVE CAPITAL FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
Contributions – Core				
General support	\$ 144,014	\$ 1,978,858	\$ -	\$ 2,122,872
Artist initiatives	-	825,696	-	825,696
Arts writers grant program	-	1,090,000	-	1,090,000
Government support	63,010	-	-	63,010
In-kind contributions (<i>Note 8</i>)	675	-	-	675
Fundraising – net of direct expenses	<u>11,340</u>	<u>-</u>	<u>-</u>	<u>11,340</u>
Core subtotal	219,039	3,894,554	-	4,113,593
Program service fees	334,043	-	-	334,043
Interest income	4,180	-	-	4,180
Investment return on short-term investments (<i>Note 4</i>)	257,046	-	-	257,046
Other income (expense)	<u>(1,928)</u>	<u>-</u>	<u>-</u>	<u>(1,928)</u>
Total revenue	812,380	3,894,554	-	4,706,934
Net assets released from restrictions	<u>4,298,876</u>	<u>(4,298,876)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>5,111,256</u>	<u>(404,322)</u>	<u>-</u>	<u>4,706,934</u>
Expenses				
Program services				
Artist initiatives	2,540,139	-	-	2,540,139
AWGP	<u>1,151,087</u>	<u>-</u>	<u>-</u>	<u>1,151,087</u>
Total program services	<u>3,691,226</u>	<u>-</u>	<u>-</u>	<u>3,691,226</u>
Supporting services				
Management and general	853,184	-	-	853,184
Fundraising	<u>535,233</u>	<u>-</u>	<u>-</u>	<u>535,233</u>
Total supporting services	<u>1,388,417</u>	<u>-</u>	<u>-</u>	<u>1,388,417</u>
Total expenses	<u>5,079,643</u>	<u>-</u>	<u>-</u>	<u>5,079,643</u>
Excess revenue over expenses before other changes	<u>31,613</u>	<u>(404,322)</u>	<u>-</u>	<u>(372,709)</u>
Other Changes				
Transfer of DDPAA fund	(85,865)	-	-	(85,865)
Endowment return in excess of amounts designated for current operations (<i>Note 4</i>)	<u>-</u>	<u>110,653</u>	<u>-</u>	<u>110,653</u>
Total other changes	<u>(85,865)</u>	<u>110,653</u>	<u>-</u>	<u>24,788</u>
Change in net assets	(54,252)	(293,669)	-	(347,921)
Net assets as of June 30, 2017	<u>1,570,248</u>	<u>6,314,256</u>	<u>1,026,000</u>	<u>8,910,504</u>
Net assets as of June 30, 2018	<u>\$ 1,515,996</u>	<u>\$ 6,020,587</u>	<u>\$ 1,026,000</u>	<u>\$ 8,562,583</u>

See notes to the financial statements.

CREATIVE CAPITAL FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
Contributions – Core				
General Support	\$ 272,246	\$ 2,488,186	\$ -	\$ 2,760,432
Artist Initiatives	-	1,601,485	-	1,601,485
Government Support	53,591	-	-	53,591
In-kind contributions (<i>Note 8</i>)	19,434	-	-	19,434
Fundraising – net of direct expenses	<u>35,689</u>	<u>-</u>	<u>-</u>	<u>35,689</u>
Core subtotal	380,960	4,089,671	-	4,470,631
Program service fees	278,792	-	-	278,792
Interest income	2,032	-	-	2,032
Investment return on short-term investments (<i>Note 4</i>)	362,103	-	-	362,103
Other	<u>55,161</u>	<u>-</u>	<u>-</u>	<u>55,161</u>
Total revenue	1,079,048	4,089,671	-	5,168,719
Net assets released from restrictions	<u>5,772,197</u>	<u>(5,772,197)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>6,851,245</u>	<u>(1,682,526)</u>	<u>-</u>	<u>5,168,719</u>
Expenses				
Program Services				
Artist Initiatives	\$ 3,489,755	\$ -	\$ -	\$ 3,489,755
AWGP	1,061,123	-	-	1,061,123
DDPAA	338,994	-	-	338,994
MAP fund	<u>71,310</u>	<u>-</u>	<u>-</u>	<u>71,310</u>
Total program services	<u>4,961,182</u>	<u>-</u>	<u>-</u>	<u>4,961,182</u>
Supporting Services				
Management and general	333,767	-	-	333,767
Fundraising	<u>494,786</u>	<u>-</u>	<u>-</u>	<u>494,786</u>
Total supporting services	<u>828,553</u>	<u>-</u>	<u>-</u>	<u>828,553</u>
Total expenses	<u>5,789,735</u>	<u>-</u>	<u>-</u>	<u>5,789,735</u>
Excess revenue over expenses before other changes	1,061,510	(1,682,526)	-	(621,016)
Other changes				
Transfer of MAP fund	(1,622,245)	-	-	(1,622,245)
Endowment return in excess of amounts designated for current operations (<i>Note 4</i>)	<u>-</u>	<u>187,040</u>	<u>-</u>	<u>187,040</u>
Total other changes	(1,622,245)	187,040	-	(1,435,205)
Change in net assets	(560,735)	(1,495,486)	-	(2,056,221)
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>
Net assets as of June 30, 2017	<u>\$ 1,570,248</u>	<u>\$ 6,314,256</u>	<u>\$ 1,026,000</u>	<u>\$ 8,910,504</u>

See notes to the financial statements.

CREATIVE CAPITAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2018

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Program And Supporting Services</u>
	<u>Artist Initiatives</u>	<u>AWGP</u>	<u>Total</u>	<u>Management And General</u>	<u>Fund- Raising</u>	<u>Total</u>	
Salaries	\$ 816,271	\$ 191,395	\$ 1,007,666	\$382,453	\$378,805	\$ 761,258	\$ 1,768,924
Fringe benefits	<u>183,912</u>	<u>43,123</u>	<u>227,035</u>	<u>87,197</u>	<u>85,347</u>	<u>172,544</u>	<u>399,579</u>
Total personnel	1,000,183	234,518	1,234,701	469,650	464,152	933,802	2,168,503
Grants	652,612	760,000	1,412,612	-	-	-	1,412,612
Professional fees	26,468	5,882	32,350	14,704	11,763	26,467	58,817
Consulting fees	445,315	26,544	471,859	298,969	-	298,969	770,828
Occupancy	197,167	45,647	242,814	15,627	31,254	46,881	289,695
Office supplies	11,139	2,432	13,571	815	1,630	2,445	16,016
Website	26,312	4,269	30,581	1,925	3,851	5,776	36,357
Postage and mailing	2,483	669	3,152	182	363	545	3,697
Printing and duplication	14,210	-	14,210	307	614	921	15,131
Telephone	5,747	1,028	6,775	420	840	1,260	8,035
Honorariums	31,188	51,340	82,528	-	-	-	82,528
Conferences and meetings	15,835	5,260	21,095	29,007	4,221	33,228	54,323
Travel	87,358	9,170	96,528	18,665	5,985	24,650	121,178
Dues and subscriptions	440	516	956	1,148	6,206	7,354	8,310
Insurance	8,258	206	8,464	619	1,239	1,858	10,322
Advertising	5,853	3,367	9,220	428	857	1,285	10,505
Special events	-	-	-	-	822	822	822
Depreciation	<u>9,571</u>	<u>239</u>	<u>9,810</u>	<u>718</u>	<u>1,436</u>	<u>2,154</u>	<u>11,964</u>
Total	<u>\$ 2,540,139</u>	<u>\$ 1,151,087</u>	<u>\$ 3,691,226</u>	<u>\$ 853,184</u>	<u>\$ 535,233</u>	<u>\$ 1,388,417</u>	<u>\$ 5,079,643</u>

See notes to the financial statements.

CREATIVE CAPITAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES – (Continued)

For The Year Ended June 30, 2017

	<u>Program Services</u>					<u>Supporting Services</u>			<u>Total Program And Supporting Services</u>
	<u>Artist Initiatives</u>	<u>AWGP</u>	<u>DDPAA</u>	<u>MAP Fund</u>	<u>Total</u>	<u>Management And General</u>	<u>Fund- Raising</u>	<u>Total</u>	
Salaries	\$ 947,138	\$ 177,915	\$ 178,910	\$ 36,723	\$ 1,340,686	\$ 123,300	\$ 331,020	\$ 454,320	\$ 1,795,006
Fringe benefits	<u>242,668</u>	<u>45,079</u>	<u>45,308</u>	<u>9,462</u>	<u>342,517</u>	<u>33,289</u>	<u>79,083</u>	<u>112,372</u>	<u>454,889</u>
Total personnel	1,189,806	222,994	224,218	46,185	1,683,203	156,589	410,103	566,692	2,249,895
Grants	1,064,555	695,000	-	-	1,759,555	-	-	-	1,759,555
Professional fees	32,795	5,970	-	660	39,425	14,907	11,925	26,832	66,257
Consulting fees	370,182	31,275	14,327	4,200	419,984	99,021	-	99,021	519,005
Administration	-	-	50,000	4,000	54,000	-	-	-	54,000
Occupancy	194,064	24,727	24,728	4,818	248,337	14,200	28,400	42,600	290,937
Office supplies	12,664	1,563	1,221	63	15,511	880	1,761	2,641	18,152
Website	18,438	1,386	3,630	3,963	27,417	1,151	2,302	3,453	30,870
Postage and mailing	1,928	393	9	58	2,388	172	344	516	2,904
Printing and duplication	18,458	5,676	-	35	24,169	537	499	1,036	25,205
Telephone	4,970	1,026	2,037	-	8,033	331	662	993	9,026
Honorariums	-	52,125	-	-	52,125	-	-	-	52,125
Grantee Conference	324,303	-	826	-	325,129	-	-	-	325,129
Conferences and meetings	20,472	5,585	5,750	3,676	35,483	18,520	1,777	20,297	55,780
Travel	88,786	4,338	8,877	3,586	105,587	13,232	10,826	24,058	129,645
Dues and subscriptions	3,178	2,706	300	-	6,184	4,963	1,694	6,657	12,841
Insurance	7,399	480	-	-	7,879	576	1,153	1,729	9,608
Advertising	4,384	2,928	120	66	7,498	188	1,619	1,807	9,305
Special events	-	-	-	-	-	-	4,721	4,721	4,721
Refunds	17,210	-	-	-	17,210	-	-	-	17,210
Depreciation	<u>116,163</u>	<u>2,951</u>	<u>2,951</u>	<u>-</u>	<u>122,065</u>	<u>8,500</u>	<u>17,000</u>	<u>25,500</u>	<u>147,565</u>
Total	<u>\$ 3,489,755</u>	<u>\$ 1,061,123</u>	<u>\$ 338,994</u>	<u>\$ 71,310</u>	<u>\$ 4,961,182</u>	<u>\$ 333,767</u>	<u>\$ 494,786</u>	<u>\$ 828,553</u>	<u>\$ 5,789,735</u>

See notes to the financial statements.

CREATIVE CAPITAL FOUNDATION

STATEMENTS OF CASH FLOWS

For The Years Ended June 30, 2018 And 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (347,921)	\$(2,056,221)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	11,964	147,565
Realized/unrealized gain on investments	(256,395)	(440,175)
Loss on sale of artwork	-	6,200
Change in contributions and grants receivable	982,434	1,264,651
Change in prepaid expenses and other assets	(10,729)	34,283
Change in accounts and accrued expenses payable	(35,408)	(479,322)
Change in grants payable	<u>(90,086)</u>	<u>(185,444)</u>
Net cash provided by (used for) operating activities	<u>253,859</u>	<u>(1,708,463)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(132,910)	(156,997)
Proceeds from sale of investments	103,303	820,424
Purchases of fixed assets	(6,152)	(10,468)
Proceeds from sale of artwork	<u>-</u>	<u>8,800</u>
Net cash (used for) provided by investing activities	<u>(35,759)</u>	<u>661,759</u>
Net increase (decrease) in cash	218,100	(1,046,704)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,195,495</u>	<u>3,242,199</u>
End of year	<u>\$2,413,595</u>	<u>\$ 2,195,495</u>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

(1) ORGANIZATION

Creative Capital Foundation (“*CCF*”) was incorporated in the State of New York in June 1998 as a not-for-profit organization. CCF concentrates its efforts towards the support of artists creating original innovative work in the visual, moving image, performing, 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 globally, CCF’s professional development program makes available through career development in-person and on-line workshops in fundraising, promotion, and strategic planning.

Since 2006, CCF has administered the Arts Writers Grant Program for the Andy Warhol Foundation for the Visual Arts. In September 2016, after 15 years of being administered by CCF, the Multi-Arts Production Fund (MAP) was spun off as a separately incorporated entity. From July 2011 until June 2017, CCF administered the Doris Duke Performing Artists Awards program funded by the Doris Duke Charitable Foundation.

(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.

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.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2018

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.

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.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2018

GRANTS PAYABLE

CCF's award recipients receive an initial \$10,000 in project funding. Each awardee is eligible for up to \$50,000 in project and infrastructure funding over the life of the project. CCF's policy is to accrue \$5,000 of additional funding with remaining installments being subject to review of the artist's budget, prior to disbursement.

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 (2014 – 2016) or expected to be taken in CCF's 2017 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

RECLASSIFICATIONS

Certain account balances in the 2017 financial statements have been classified to conform to the 2018 presentation.

(3) CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable at June 30, 2018 and 2017 are expected to be realized as follows:

	<u>2018</u>	<u>2017</u>
In one year or less	\$ 856,188	\$ 1,051,283
In one to five years	<u>220,500</u>	<u>1,055,500</u>
	1,076,688	2,106,783
Less: discount	<u>(20,178)</u>	<u>(67,839)</u>
Net contributions and grants receivable	<u>\$ 1,056,510</u>	<u>\$ 2,038,944</u>

In determining the present value of the expected future cash flows, a discount rate of 3% was applied at June 30, 2018 and 2017.

As of June 30, 2018 and 2017, 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.

Contributions receivable of approximately \$1,060,000, designated for the MAP fund, were transferred in 2017 to the separately incorporated MAP entity.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2018

(4) INVESTMENTS

Investments are carried at fair value unless otherwise indicated. A summary of investments, including cost and cash equivalents at June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Fixed income funds	\$ 2,040,288	\$ 2,051,856
Equity funds	<u>3,466,862</u>	<u>3,169,292</u>
Total	<u>\$ 5,507,150</u>	<u>\$ 5,221,148</u>
Investments are classified as follows:		
Short-term investments	\$ 3,710,739	\$ 3,535,390
Long-term investments:	<u>1,796,411</u>	<u>1,685,758</u>
Total	<u>\$ 5,507,150</u>	<u>\$ 5,221,148</u>
Investment return:		
Interest and dividends, net of investment expenses of \$21,866 and \$21,925, respectively	\$ 111,304	\$ 108,968
Realized gains on investments	14,144	73,094
Unrealized gains on investments	<u>242,251</u>	<u>367,081</u>
Total investment return	367,699	549,143
Investment return allocated to long-term investments	<u>(110,653)</u>	<u>(187,040)</u>
Investment return on short-term investments	<u>\$ 257,046</u>	<u>\$ 362,103</u>

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

	<u>2018</u>		
	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Interest and dividends (net of investment expenses of \$5,947)	\$ -	\$ 34,151	\$ 34,151
Net realized and unrealized losses	<u>-</u>	<u>76,502</u>	<u>76,502</u>
Endowment return on long-term investments	-	110,653	110,653
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>\$110,653</u>	<u>\$110,653</u>
	<u>2017</u>		
	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Interest and dividends (net of investment expenses of \$5,975)	\$ -	\$ 40,824	\$ 40,824
Net realized and unrealized losses	<u>-</u>	<u>146,216</u>	<u>146,216</u>
Endowment return on long-term investments	-	187,040	187,040
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>\$187,040</u>	<u>\$187,040</u>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2018

(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, 2018 and 2017 are as follows:

	2018			
	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Fixed income funds	\$ 2,040,288	\$ -	\$ -	\$ 2,040,288
Equity funds	<u>3,466,862</u>	<u>-</u>	<u>-</u>	<u>3,466,862</u>
	<u>\$ 5,507,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,507,150</u>

	2017			
	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Fixed income funds	\$ 2,051,856	\$ -	\$ -	\$ 2,051,856
Equity funds	<u>3,169,292</u>	<u>-</u>	<u>-</u>	<u>3,169,292</u>
	<u>\$ 5,221,148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,221,148</u>

There were no transfers between Level 1 and Level 2 during the year ended June 30, 2018 or 2017.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2018

(6) NET ASSETS

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following for the years ended June 30, 2018 and 2017:

	2018			Ending Balances
	Beginning Balances	Additions	Releases	
Bloomberg Philanthropies	\$ -	\$ 96,343	\$ 50,000	\$ 46,343
The Doris Duke Charitable Foundation	1,367,822	254,549	378,275	1,244,096
The Geraldine R. Dodge Foundation	-	50,000	50,000	-
The Knight Foundation	-	150,000	150,000	-
New York Community Trust	-	96,343	50,000	46,343
The Andy Warhol Foundation for the Visual Arts:				
General support *	1,500,000	1,500,000	1,500,000	1,500,000
Occupancy (Note 10)	130,313	224,309	197,256	157,366
Cash reserve *	1,000,000	-	-	1,000,000
Arts Writers Grant Program	38,970	1,090,000	1,067,540	61,430
Clifton Foundation	15,000	-	15,000	-
The Muriel Pollia Foundation	-	50,000	40,000	10,000
21 st Century Fox America	-	20,000	-	20,000
Two Sister and a Wife Foundation	67,867	-	15,000	52,867
NEA	-	40,000	40,000	-
Lyda Kuth	36,984	-	25,276	11,708
Ronald Feldman	12,899	-	-	12,899
DCA	-	23,010	19,080	3,930
Colleen Jennings-Roggensack	1,443	-	500	943
Tides and Lambent Foundation	240,199	-	240,199	-
Hilary Bates and Jerome Simon	27,285	-	10,000	17,285
Annie Han	1,432	-	750	682
Catherine & Jeffrey Soros	71,121	-	25,000	46,121
Stephen Reily	64,493	-	25,000	39,493
William K. Bowes Jr. Foundation	142,243	-	50,000	92,243
Paige West	186,427	-	50,000	136,427
Stavros Niarchos Foundation	-	100,000	100,000	-
The TOBY Fund	-	200,000	200,000	-
Westenberger Estate	750,000	-	-	750,000
Accumulated endowment income	<u>659,758</u>	<u>110,653</u>	<u>-</u>	<u>770,411</u>
Total temporarily restricted net assets	<u>\$ 6,314,256</u>	<u>\$ 4,005,207</u>	<u>\$ 4,298,876</u>	<u>\$ 6,020,587</u>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2018

	2017			Ending Balances
	Beginning Balances	Additions	Releases	
Bloomberg Philanthropies	\$ 48,989	\$ 1,011	\$ 50,000	\$ -
The Doris Duke Charitable Foundation	2,105,551 ^(a)	1,218,324	1,956,053	1,367,822
The Geraldine R. Dodge Foundation	50,000	6,000	56,000	-
The Andy Warhol Foundation for the Visual Arts:				
General support *	1,500,000	1,500,000	1,500,000	1,500,000
Occupancy (Note 10)	154,048	209,566	233,301	130,313
Cash reserve *	1,000,000	-	-	1,000,000
Arts Writers Grant Program	1,083,714	-	1,044,744	38,970
Clifton Foundation	-	30,000	15,000	15,000
Two Sister and a Wife Foundation	91,600	-	23,733	67,867
Mellon Foundation	-	50,000	50,000	-
NYSCA	20,000	40,000	60,000	-
NEA	29,827	173	30,000	-
Lyda Kuth	63,200	-	26,216	36,984
Ronald Feldman	12,899	-	-	12,899
DCA	2,896	13,504	16,400	-
Colleen Jennings-Roggensack	1,443	-	-	1,443
Tides and Lambent Foundation	-	490,199	250,000	240,199
Hilary Bates and Jerome Simon	-	37,285	10,000	27,285
Annie Han	-	2,182	750	1,432
Offield Foundation	20,000	-	20,000	-
Howard Gilman Foundation	-	30,000	30,000	-
Catherine & Jeffrey Soros	96,121	-	25,000	71,121
Stephen Reily	114,493	-	50,000	64,493
The Shelley & Donald Rubin Foundation	-	25,000	25,000	-
William K. Bowes Jr. Foundation	192,243	-	50,000	142,243
Paige West	-	236,427	50,000	186,427
The TOBY Fund	-	200,000	200,000	-
Westenberger Estate	750,000	-	-	750,000
Accumulated endowment income	<u>472,718</u>	<u>187,040</u>	<u>-</u>	<u>659,758</u>
Total temporarily restricted net assets	<u>\$ 7,809,742</u>	<u>\$ 4,276,711</u>	<u>\$ 5,772,197</u>	<u>\$ 6,314,256</u>

(a) Balance includes approximately \$1,225,000 designated for the MAP Fund Program which was spun off as a separately incorporated entity in 2017.

* In May 2009, The Andy Warhol Foundation for the Visual Arts made a \$15,000,000 conditional commitment to CCF to be paid in equal installments of \$1,500,000 over a 10-year period. In order to be eligible for each year's installment, CCF is required to demonstrate that it raised \$1,500,000 for that fiscal year through other contributions and earnings including the Professional Development Program in-person and on-line workshop fees. Additionally, the current level of support to awardees is required to be maintained as well as support to at least 46 new awardees in each of CCF's award making cycles. If, in any single year, more funds were raised than were spent to maintain CCF's level of artist support, the surplus is eligible to be carried over and applied towards fulfilling the following year's commitment. As of June 30, 2018, CCF had received \$15 million of the commitment.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2018

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
General endowments – income for general operations	<u>\$1,026,000</u>	<u>\$1,026,000</u>

ENDOWMENT FUNDS

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

INTERPRETATION OF RELEVANT LAW

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

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

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2018

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).

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, 2018 and 2017 is as follows:

	2018			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$770,411</u>	<u>\$1,026,000</u>	<u>\$1,796,411</u>

	2017			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$659,758</u>	<u>\$1,026,000</u>	<u>\$1,685,758</u>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2018

Changes in endowment net assets for the years ended June 30, 2018 and 2017:

	2018			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, beginning of year	\$ -	\$ 659,758	\$ 1,026,000	\$ 1,685,758
Investment income, net	-	34,151	-	34,151
Realized and unrealized gains	-	<u>76,502</u>	-	<u>76,502</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 770,411</u>	<u>\$ 1,026,000</u>	<u>\$ 1,796,411</u>

	2017			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, beginning of year	\$ -	\$ 472,718	\$ 1,026,000	\$ 1,498,718
Investment income, net	-	40,824	-	40,824
Realized and unrealized gains	-	<u>146,216</u>	-	<u>146,216</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 659,758</u>	<u>\$ 1,026,000</u>	<u>\$ 1,685,758</u>

(8) IN-KIND CONTRIBUTION

For the fiscal years 2018 and 2017, In-kind contributions consists of the following:

	<u>2018</u>	<u>2017</u>
Community Supported Artists In-kind support	\$ -	\$ 19,134
Individual In-kind support	<u>675</u>	<u>300</u>
Total other income	<u>\$ 675</u>	<u>\$ 19,434</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 2018 and 2017, CCF incurred approximately \$84,000 and \$91,000, respectively.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2018

(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 \$209,227 and \$190,212 has been recognized and included in accounts payable and accrued expenses payable in the Statement of Financial Position as of June 30, 2018 and 2017, respectively. The leases are subject to adjustments for escalations and certain operating expenses. Rent expense for the years ended June 30, 2018 and 2017 was approximately \$253,000 and was subsidized by designated grants from the Andy Warhol Foundation.

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

	Office Facilities
2019	\$ 240,300
2020	251,100
2021	271,700
2022	278,500
2023	285,500
2023 and thereafter	<u>952,000</u>
	<u>\$2,279,100</u>

(11) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, January 17, 2019, 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.