

# **CREATIVE CAPITAL FOUNDATION**

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

**YEARS ENDED JUNE 30, 2019 AND 2018**

# 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, 2019 and 2018, and the related statements of activities, functional expenses 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, 2019 and 2018, 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, 2020**

# CREATIVE CAPITAL FOUNDATION

## STATEMENTS OF FINANCIAL POSITION

June 30, 2019 And 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$2,593,180	\$2,413,595
Short-term contributions and grants receivable ( <i>Note 3</i> )	465,000	856,188
Investments ( <i>Note 4</i> )	3,836,688	3,710,739
Prepaid expenses and other assets	<u>66,091</u>	<u>70,785</u>
<b>Total current assets</b>	<u>6,960,959</u>	<u>7,051,307</u>
<b>NON-CURRENT ASSETS</b>		
Long-term contributions and grants receivable – ( <i>Note 3</i> )	156,942	200,322
Long-term investments ( <i>Note 4</i> )	1,920,895	1,796,411
Equipment – at cost – net of accumulated depreciation of \$472,729 in 2019 and \$459,259 in 2018	2,595	10,361
Security deposit	<u>54,082</u>	<u>54,082</u>
<b>Total non-current assets</b>	<u>2,134,514</u>	<u>2,061,176</u>
<b>Total assets</b>	<u>\$9,095,473</u>	<u>\$9,112,483</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses payable	\$ 611,208	\$ 346,449
Grants payable	<u>337,436</u>	<u>203,451</u>
<b>Total liabilities</b>	<u>948,644</u>	<u>549,900</u>
<b>NET ASSETS</b>		
Without donor restrictions	819,262	1,515,996
With donor restrictions	<u>7,327,567</u>	<u>7,046,587</u>
<b>Total net assets</b>	<u>8,146,829</u>	<u>8,562,583</u>
<b>Total liabilities and net assets</b>	<u>\$9,095,473</u>	<u>\$9,112,483</u>

# CREATIVE CAPITAL FOUNDATION

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating Revenue</b>			
Contributions – Core			
General support	\$ 377,011	\$ 1,826,826	\$ 2,203,837
Artist initiatives	-	1,347,639	1,347,639
Communications	-	110,000	110,000
Arts writers grant program	-	1,090,000	1,090,000
Government support	85,975	-	85,975
In-kind contributions	125	-	125
Special events, net	<u>(20,263)</u>	<u>-</u>	<u>(20,263)</u>
<b>Core subtotal</b>	442,848	4,374,465	4,817,313
Program service fees	228,461	-	228,461
Interest income	9,473	-	9,473
Investment return designated for operations	83,015	-	83,015
Investment return on short-term investments <i>(Note 4)</i>	231,040	-	231,040
Other income (expense)	<u>(622)</u>	<u>-</u>	<u>(622)</u>
<b>Total revenue</b>	994,215	4,374,465	5,368,680
Net assets released from restrictions	<u>4,117,969</u>	<u>(4,117,969)</u>	<u>-</u>
<b>Total operating revenue</b>	<u>5,112,184</u>	<u>256,496</u>	<u>5,368,680</u>
<b>Expenses</b>			
Program services			
Artist initiatives	3,350,644	-	3,350,644
AWGP	<u>1,135,910</u>	<u>-</u>	<u>1,135,910</u>
<b>Total program services</b>	<u>4,486,554</u>	<u>-</u>	<u>4,486,554</u>
Supporting services			
Management and general	768,901	-	768,901
Fundraising	<u>553,463</u>	<u>-</u>	<u>553,463</u>
<b>Total supporting services</b>	<u>1,322,364</u>	<u>-</u>	<u>1,322,364</u>
<b>Total expenses</b>	<u>5,808,918</u>	<u>-</u>	<u>5,808,918</u>
<b>Excess (deficit) of operating revenue     over expenses before other changes</b>	<u>(696,734)</u>	<u>256,496</u>	<u>(440,238)</u>
<b>Other Changes</b>			
Endowment return in excess of amounts designated for current operations <i>(Note 4)</i>	<u>-</u>	<u>24,484</u>	<u>24,484</u>
<b>Total other changes</b>	<u>-</u>	<u>24,484</u>	<u>24,484</u>
Change in net assets	(696,734)	280,980	(415,754)
Net assets as of June 30, 2018	<u>1,515,996</u>	<u>7,046,587</u>	<u>8,562,583</u>
Net assets as of June 30, 2019	<u>\$ 819,262</u>	<u>\$ 7,327,567</u>	<u>\$ 8,146,829</u>

See notes to the financial statements.

# CREATIVE CAPITAL FOUNDATION

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating Revenue</b>			
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	675	-	675
Special events, net	<u>11,340</u>	<u>-</u>	<u>11,340</u>
<b>Core subtotal</b>	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>(1,928)</u>
<b>Total revenue</b>	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>
<b>Total operating revenue</b>	<u>5,111,256</u>	<u>(404,322)</u>	<u>4,706,934</u>
<b>Expenses</b>			
Program services			
Artist initiatives	2,540,139	-	2,540,139
AWGP	<u>1,151,087</u>	<u>-</u>	<u>1,151,087</u>
<b>Total program services</b>	<u>3,691,226</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>535,233</u>
<b>Total supporting services</b>	<u>1,388,417</u>	<u>-</u>	<u>1,388,417</u>
<b>Total expenses</b>	<u>5,079,643</u>	<u>-</u>	<u>5,079,643</u>
Excess operating revenue over expenses before other changes	<u>31,613</u>	<u>(404,322)</u>	<u>(372,709)</u>
<b>Other Changes</b>			
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>110,653</u>
<b>Total other changes</b>	<u>(85,865)</u>	<u>110,653</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>7,340,256</u>	<u>8,910,504</u>
Net assets as of June 30, 2018	<u>\$ 1,515,996</u>	<u>\$ 7,046,587</u>	<u>\$ 8,562,583</u>

See notes to the financial statements.

# CREATIVE CAPITAL FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2019

	<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	\$ 783,519	\$ 200,125	\$ 983,644	\$399,537	\$394,021	\$ 793,558	\$1,777,202
Fringe benefits	<u>157,017</u>	<u>40,105</u>	<u>197,122</u>	<u>80,914</u>	<u>78,962</u>	<u>159,876</u>	<u>356,998</u>
Total personnel	940,536	240,230	1,180,766	480,451	472,983	953,434	2,134,200
Grants	1,122,336	725,000	1,847,336	-	-	-	1,847,336
Professional fees	28,485	6,331	34,816	15,825	12,660	28,485	63,301
Consulting fees	421,892	28,247	450,139	191,772	-	191,772	641,911
Occupancy	202,415	50,560	252,975	14,811	29,622	44,433	297,408
Office supplies	11,010	2,955	13,965	1,469	1,611	3,080	17,045
Website	57,657	4,726	62,383	4,219	8,438	12,657	75,040
Postage and mailing	1,893	468	2,361	138	277	415	2,776
Printing and duplication	11,371	414	11,785	3,607	352	3,959	15,744
Telephone	5,369	1,150	6,519	393	695	1,088	7,607
Honorariums	55,350	56,795	112,145	-	-	-	112,145
Awardee Conference	319,808	-	319,808	-	-	-	319,808
Conferences and meetings	27,027	5,997	33,024	28,855	1,411	30,266	63,290
Travel	108,295	8,261	116,556	20,957	5,187	26,144	142,700
Dues and subscriptions	961	1,081	2,042	4,151	14,207	18,358	20,400
Insurance	9,187	230	9,417	672	1,344	2,016	11,433
Advertising	10,570	3,196	13,766	773	1,547	2,320	16,086
Special events	-	-	-	-	1,512	1,512	1,512
Loan Fund	5,706	-	5,706	-	-	-	5,706
Depreciation	<u>10,776</u>	<u>269</u>	<u>11,045</u>	<u>808</u>	<u>1,617</u>	<u>2,425</u>	<u>13,470</u>
<b>Total</b>	<u>\$ 3,350,644</u>	<u>\$1,135,910</u>	<u>\$ 4,486,554</u>	<u>\$768,901</u>	<u>\$553,463</u>	<u>\$ 1,322,364</u>	<u>\$5,808,918</u>

See notes to the financial statements.

# CREATIVE CAPITAL FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES – (Continued)

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>
<b>Total</b>	<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

## STATEMENTS OF CASH FLOWS

For The Years Ended June 30, 2019 And 2018

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	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (415,754)	\$ (347,921)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	13,470	11,964
Realized/unrealized gain on investments	(205,838)	(256,395)
Change in contributions and grants receivable	434,568	982,434
Change in prepaid expenses and other assets	4,694	(10,729)
Change in accounts and accrued expenses payable	264,759	(35,408)
Change in grants payable	<u>133,985</u>	<u>(90,086)</u>
<b>Net cash provided by operating activities</b>	<u>229,884</u>	<u>253,859</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(470,218)	(132,910)
Proceeds from sale of investments	425,623	103,303
Purchase of fixed assets	<u>(5,704)</u>	<u>(6,152)</u>
<b>Net cash provided by investing activities</b>	<u>(50,299)</u>	<u>(35,759)</u>
<b>Net increase in cash</b>	179,585	218,100
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>2,413,595</u>	<u>2,195,495</u>
End of year	<u>\$2,593,180</u>	<u>\$2,413,595</u>

# CREATIVE CAPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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### (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.

### (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, 2019

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### **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:

*Net Assets without donor restrictions* – Net assets that are not subject to donor-imposed stipulations.

*Net Assets with donor restrictions* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the CCF and/or the passage of time. Net assets with donor restrictions also include 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Gifts of goods and equipment are reported as support without restriction 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, 2019

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### **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 on the basis of time and effort.

### **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 (2015 – 2017) or expected to be taken in CCF's 2018 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

### **NEW ACCOUNTING PRONOUNCEMENT**

On August 18, 2016, the FASB issued Accounting Standards Update ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities*. The update addressed the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. The main provisions of this guidance include the presentation of two classes of net assets versus the previously required three. This guidance also enhances disclosures for board designated amounts, under water endowment funds, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. This ASU was adopted by CCF for the year ended June 30, 2019 and did not have a material effect on the statement of financial position or results of operations.

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 are as follows:

<b><u>Net Asset Classifications</u></b>	<b><u>Balance At June 30, 2018 As Previously Reported</u></b>	<b><u>Adjustments From ASU 2016-14</u></b>	<b><u>Balance At July 1, 2018 As Adjusted</u></b>
Unrestricted Net Assets	\$1,515,996	\$(1,515,996)	\$ -
Temporarily Restricted	6,020,587	(6,020,587)	-
Permanently Restricted	1,026,000	(1,026,000)	-
Without Donor Restriction	-	1,515,996	1,515,996
With Donor Restriction	<u>-</u>	<u>7,046,587</u>	<u>7,046,587</u>
Net assets previously presented	<u>\$8,562,583</u>	<u>\$ -</u>	<u>\$8,562,583</u>

# CREATIVE CAPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2019

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### **ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED**

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a transaction is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. The ASU should be applied using a modified prospective basis. CCF plans to adopt the new ASU at the required implementation date.

### **RECLASSIFICATIONS**

Certain account balances in the 2018 financial statements have been classified to conform to the 2019 presentation.

### **(3) CONTRIBUTIONS AND GRANTS RECEIVABLE**

Contributions and grants receivable at June 30, 2019 and 2018 are expected to be realized as follows:

	<u>2019</u>	<u>2018</u>
In one year or less	\$ 465,000	\$ 856,188
In one to five years	<u>166,500</u>	<u>220,500</u>
	631,500	1,076,688
Less: discount	<u>(9,558)</u>	<u>(20,178)</u>
Net contributions and grants receivable	<u>\$ 621,942</u>	<u>\$ 1,056,510</u>

In determining the present value of the expected future cash flows, a discount rate of 3% was applied at June 30, 2019 and 2018.

As of June 30, 2019 and 2018, all contributions receivable are considered net assets with donor restrictions due to time. Management expects all pledges to be fully collected and, accordingly, no allowance for doubtful pledges has been provided.

### **(4) INVESTMENTS**

Investments are carried at fair value unless otherwise indicated. A summary of investments, including cost and cash equivalents at June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 191,058	\$ -
Fixed income funds	2,175,020	2,040,288
Equity funds	3,291,505	3,466,862
Note receivable	<u>100,000</u>	<u>-</u>
Total	<u>\$ 5,757,583</u>	<u>\$ 5,507,150</u>

# CREATIVE CAPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2019

	<u>2019</u>	<u>2018</u>
Investments are classified as follows:		
Short-term investments	\$ 3,836,688	\$ 3,710,739
Long-term investments:	<u>1,920,895</u>	<u>1,796,411</u>
Total	<u>\$ 5,757,583</u>	<u>\$ 5,507,150</u>
Investment return:		
Interest and dividends, net of investment expenses of \$21,866 and \$21,925, respectively	\$ 132,701	\$ 111,304
Realized gains on investments	109,695	14,144
Unrealized gains on investments	<u>96,143</u>	<u>242,251</u>
Total investment return	338,539	367,699
Investment return allocated to long-term investments	<u>(107,499)</u>	<u>(110,653)</u>
Investment return on short-term investments	<u>\$ 231,040</u>	<u>\$ 257,046</u>

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

	<u>2019</u>	
	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 38,660	\$ 38,660
Net realized and unrealized gains	<u>68,839</u>	<u>68,839</u>
Endowment return on long-term investments	107,499	107,499
Endowment return designated for current operations	<u>83,015</u>	<u>83,015</u>
Endowment return in excess of amounts designated for current operations	<u>\$ 24,484</u>	<u>\$ 24,484</u>
	<u>2018</u>	
	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Interest and dividends (net of investment expenses of \$5,947)	\$ 34,151	\$ 34,151
Net realized and unrealized gains	<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>
Endowment return in excess of amounts designated for current operations	<u>\$ 110,653</u>	<u>\$ 110,653</u>

# CREATIVE CAPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2019

### (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, 2019 and 2018 are as follows:

	2019			
	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Money market funds	\$ 191,058	\$ -	\$ -	\$ 191,058
Fixed income funds	2,175,020	-	-	2,175,020
Equity funds	3,291,505	-	-	3,291,505
Note receivable	-	-	100,000	100,000
	<u>\$ 5,657,583</u>	<u>\$ -</u>	<u>\$100,000</u>	<u>\$ 5,757,583</u>

  

	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	3,466,862	-	-	3,466,862
	<u>\$ 5,507,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,507,150</u>

There were no transfers between Level 1 and Level 2 during the year ended June 30, 2019 or 2018.

The changes in investments measured at fair value for which the Foundation used Level 3 inputs to determine fair value are as follows:

	2019
Balance, beginning of year	\$ -
Purchases	100,000
Balance, end of year	<u>\$ 100,000</u>

# CREATIVE CAPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2019

### (6) NET ASSETS

#### NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following for the years ended June 30, 2019 and 2018:

	2019			Ending Balances
	Beginning Balances	Additions	Releases	
Bloomberg Philanthropies	\$ 46,343	\$ -	\$ 46,343	\$ -
The Doris Duke Charitable Foundation	1,244,096	-	296,736	947,360
The Geraldine R. Dodge Foundation	-	15,000	-	15,000
New York Community Trust	46,343	-	5,793	40,550
The Andy Warhol Foundation for the Visual Arts:				
General support	1,500,000	1,500,000	1,500,000	1,500,000
Occupancy (Note 9)	157,366	231,038	215,125	173,279
Cash reserve	1,000,000	-	-	1,000,000
Arts Writers Grant Program	61,430	1,090,000	1,083,381	68,049
The Muriel Pollia Foundation	10,000	-	10,000	-
21 <sup>st</sup> Century Fox America	20,000	-	20,000	-
Two Sister and a Wife Foundation	52,867	-	15,000	37,867
NEA	-	45,000	45,000	-
Lyda Kuth	11,708	-	11,708	-
Ronald Feldman	12,899	-	5,500	7,399
DCA	3,930	37,045	33,566	7,409
Colleen Jennings-Roggensack	943	-	500	443
Hilary Bates and Jerome Simon	17,285	-	-	17,285
Annie Han	682	-	682	-
Catherine & Jeffrey Soros	46,121	-	25,000	21,121
Stephen Reily	39,493	-	25,000	14,493
William K. Bowes Jr. Foundation	92,243	-	50,000	42,243
Paige West	136,427	-	50,000	86,427
Hewlett Foundation	-	195,788	75,000	120,788
Mellon Foundation	-	500,000	138,635	361,365
Booth Ferris	-	110,000	110,000	-
Scherman (Roisin) Foundation	-	295,594	-	295,594
Rockefeller Bros. Fund	-	100,000	100,000	-
Catto Shaw Foundation	-	20,000	20,000	-
Academy Foundation	-	15,000	15,000	-
Stavros Niarchos Foundation	-	20,000	20,000	-
The TOBY Fund	-	200,000	200,000	-
Westenberger Estate	750,000	-	-	750,000
Accumulated endowment income	<u>770,411</u>	<u>24,484</u>	<u>-</u>	<u>794,895</u>
Total net assets with donor restrictions – time/purpose	<u>\$ 6,020,587</u>	<u>\$ 4,487,109</u>	<u>\$ 4,117,969</u>	<u>6,301,567</u>
Total net assets with donor restrictions – required to be held in perpetuity – general endowment				<u>1,026,000</u>
Total net assets with donor restrictions				<u>\$ 7,327,567</u>



# CREATIVE CAPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2019

	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 9)	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 <sup>st</sup> 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 net assets with donor restrictions – time/purpose	<u>\$ 6,314,256</u>	<u>\$ 4,005,207</u>	<u>\$ 4,298,876</u>	<u>6,020,587</u>
Total net assets with donor restrictions – required to be held in perpetuity – General Endowment				<u>1,026,000</u>
Total net assets with donor restrictions				<u>\$ 7,046,587</u>

\* 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, 2019

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### ***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 permanent 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 net assets with donor restrictions - perpetuity (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 net assets with donor restrictions - perpetuity is classified as net assets with donor restrictions – time/purpose 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, 2019

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### **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. For the year ended June 30, 2019, \$83,015 was distributed from the endowment fund. There were no distributions approved for the year ended June 30, 2018.

The classification by net asset type at June 30, 2019 and 2018 is as follows:

	<u>2019</u>	
	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds perpetual in duration –		
Original gift amount	\$ 1,026,000	\$ 1,026,000
Accumulated earnings	794,895	794,895
Funds functioning as endowment	<u>-</u>	<u>-</u>
Total funds	<u>\$ 1,820,895</u>	<u>\$ 1,820,895</u>

	<u>2018</u>	
	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds perpetual in duration –		
Original gift amount	\$ 1,026,000	\$ 1,026,000
Accumulated earnings	770,411	770,411
Funds functioning as endowment	<u>-</u>	<u>-</u>
Total funds	<u>\$ 1,796,411</u>	<u>\$ 1,796,411</u>

# CREATIVE CAPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2019

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Changes in endowment net assets for the years ended June 30, 2019 and 2018:

	<u>2019</u>	
	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2018	\$ 1,796,411	\$ 1,796,411
Investment return:		
Investment income, net	38,660	38,660
Net realized/unrealized gains	68,839	68,839
Designated for current operations	<u>(83,015)</u>	<u>(83,015)</u>
Total investment return	<u>24,484</u>	<u>24,484</u>
Endowment net assets, June 30, 2019	<u>\$ 1,820,895</u>	<u>\$ 1,820,895</u>
	<u>2018</u>	
	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2017	\$ 1,685,758	\$ 1,685,758
Investment return:		
Investment income, net	34,151	34,151
Net realized/unrealized loss	<u>76,502</u>	<u>76,502</u>
Total investment return	<u>110,653</u>	<u>110,653</u>
Endowment net assets, June 30, 2018	<u>\$ 1,796,411</u>	<u>\$ 1,796,411</u>

### (8) 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 2019 and 2018, CCF incurred approximately \$66,500 and \$84,000, respectively.

### (9) 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 \$222,383 and \$209,227 has been recognized and included in accounts payable and accrued expenses payable in the Statement of Financial Position as of June 30, 2019 and 2018, respectively. The leases are subject to adjustments for escalations and certain operating expenses. Rent expense for the years ended June 30, 2019 and 2018 was approximately \$253,000 and was subsidized by designated grants from the Andy Warhol Foundation.

# CREATIVE CAPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2019

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

	<b><u>Office Facilities</u></b>
2020	\$ 251,100
2021	271,700
2022	278,500
2023	285,500
2024	292,600
2025 and thereafter	<u>659,300</u>
	<u>\$ 2,038,700</u>

### (10) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects the Foundation's financial assets as of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions.

Financial Assets	<b><u>2018</u></b>
Cash and cash equivalents	\$ 2,593,180
Contributions receivable, short-term	465,000
Investments	<u>5,757,583</u>
Total financial assets	8,815,763
Less:	
True endowment funds	1,820,895
Note receivable	100,000
Net assets with donor-imposed restrictions	<u>5,506,672</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,388,196</u>

The Foundation strives to maintain liquid financial assets to be available as its general expenditures, liabilities and other obligations become due. Financial assets in excess of daily cash requirements are invested in cash and cash equivalents and money market funds and other liquid securities. As part of the Foundation's liquidity management, it has a practice to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

### (11) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, January 27, 2020, 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.