

CREATIVE CAPITAL FOUNDATION

*FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

YEARS ENDED JUNE 30, 2020 AND 2019

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, 2020 and 2019, 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, 2020 and 2019, 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
February 9, 2021**

CREATIVE CAPITAL FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 And 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,742,694	\$ 2,593,180
Short-term contributions and grants receivable <i>(Note 3)</i>	1,051,900	465,000
Investments <i>(Note 4)</i>	3,523,318	3,836,688
Prepaid expenses and other assets	<u>66,091</u>	<u>66,091</u>
Total current assets	<u>7,384,003</u>	<u>6,960,959</u>
NON-CURRENT ASSETS		
Long-term contributions and grants receivable – <i>(Note 3)</i>	624,857	156,942
Long-term investments <i>(Note 4)</i>	1,908,107	1,920,895
Equipment – at cost – net of accumulated depreciation of \$479,634 in 2020 and \$472,729 in 2019	2,941	2,595
Security deposit	<u>54,082</u>	<u>54,082</u>
Total non-current assets	<u>2,589,987</u>	<u>2,134,514</u>
Total assets	<u>\$ 9,973,990</u>	<u>\$ 9,095,473</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses payable	\$ 491,894	\$ 611,208
Grants payable	387,031	337,436
Refundable advance <i>(Note 6)</i>	<u>306,268</u>	<u>-</u>
Total liabilities	<u>1,185,193</u>	<u>948,644</u>
NET ASSETS		
Without donor restrictions	1,259,149	819,262
With donor restrictions	<u>7,529,648</u>	<u>7,327,567</u>
Total net assets	<u>8,788,797</u>	<u>8,146,829</u>
Total liabilities and net assets	<u>\$ 9,973,990</u>	<u>\$ 9,095,473</u>

CREATIVE CAPITAL FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenue			
Contributions – Core			
General support	\$ 409,956	\$ 2,505,654	\$ 2,915,610
Artist initiatives	-	1,605,163	1,605,163
Infrastructure	-	359,159	359,159
Arts writers grant program	-	1,090,000	1,090,000
Government support	59,470	-	59,470
Special events, net	<u>(6,240)</u>	<u>-</u>	<u>(6,240)</u>
Core subtotal	463,186	5,559,976	6,023,162
Program service fees	223,208	-	223,208
Interest income	7,852	-	7,852
Investment return designated for operations	88,383	-	88,383
Investment return on short-term investments <i>(Note 4)</i>	<u>167,287</u>	<u>-</u>	<u>167,287</u>
Total revenue	949,916	5,559,976	6,509,892
Net assets released from restrictions	<u>5,345,107</u>	<u>(5,345,107)</u>	<u>-</u>
Total operating revenue	<u>6,295,023</u>	<u>214,869</u>	<u>6,509,892</u>
Expenses			
Program services			
Artist initiatives	3,328,489	-	3,328,489
AWGP	<u>1,153,479</u>	<u>-</u>	<u>1,153,479</u>
Total program services	<u>4,481,968</u>	<u>-</u>	<u>4,481,968</u>
Supporting services			
Management and general	822,877	-	822,877
Fundraising	<u>540,291</u>	<u>-</u>	<u>540,291</u>
Total supporting services	<u>1,363,168</u>	<u>-</u>	<u>1,363,168</u>
Total expenses	<u>5,845,136</u>	<u>-</u>	<u>5,845,136</u>
Excess of operating revenue over expenses before other changes	<u>449,887</u>	<u>214,869</u>	<u>664,756</u>
Other Changes			
Transfer of Artist Relief funds	(10,000)	-	(10,000)
Endowment return in deficiency of amounts designated for current operations <i>(Note 4)</i>	<u>-</u>	<u>(12,788)</u>	<u>(12,788)</u>
Total other changes	<u>(10,000)</u>	<u>(12,788)</u>	<u>(22,788)</u>
Change in net assets	439,887	202,081	641,968
Net assets as of June 30, 2019	<u>819,262</u>	<u>7,327,567</u>	<u>8,146,829</u>
Net assets as of June 30, 2020	<u>\$ 1,259,149</u>	<u>\$ 7,529,648</u>	<u>\$ 8,788,797</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>
Operating Revenue			
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>
Core subtotal	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>
Total revenue	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>
Total operating revenue	<u>5,112,184</u>	<u>256,496</u>	<u>5,368,680</u>
Expenses			
Program services			
Artist initiatives	3,350,644	-	3,350,644
AWGP	<u>1,135,910</u>	<u>-</u>	<u>1,135,910</u>
Total program services	<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>
Total supporting services	<u>1,322,364</u>	<u>-</u>	<u>1,322,364</u>
Total expenses	<u>5,808,918</u>	<u>-</u>	<u>5,808,918</u>
Excess (deficit) of operating revenue over expenses before other changes	<u>(696,734)</u>	<u>256,496</u>	<u>(440,238)</u>
Other Changes			
Endowment return in excess of amounts designated for current operations <i>(Note 4)</i>	<u>-</u>	<u>24,484</u>	<u>24,484</u>
Total other changes	<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>

CREATIVE CAPITAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2020

	Program Services			Supporting Services			Total Program And Supporting Services
	Artist Initiatives	AWGP	Total	Management And General	Fund- Raising	Total	
Salaries	\$ 808,302	\$ 249,357	\$ 1,057,659	\$ 522,197	\$ 375,616	\$ 897,813	\$ 1,955,472
Fringe benefits	159,270	50,500	209,770	104,886	73,808	178,694	388,464
Total personnel	967,572	299,857	1,267,429	627,083	449,424	1,076,507	2,343,936
Grants	1,243,715	680,000	1,923,715	-	-	-	1,923,715
Professional fees	30,816	6,848	37,664	17,120	13,696	30,816	68,480
Consulting fees	537,341	28,283	565,624	102,512	15,000	117,512	683,136
Occupancy	211,744	52,889	264,633	15,493	30,987	46,480	311,113
Office supplies	16,069	329	16,398	1,176	2,351	3,527	19,925
Website	58,109	5,584	63,693	10,267	5,133	15,400	79,093
Postage and mailing	1,197	466	1,663	88	175	263	1,926
Printing and duplication	2,761	384	3,145	4,726	4,727	9,453	12,598
Telephone	4,726	1,020	5,746	345	692	1,037	6,783
Honorariums	63,000	58,117	121,117	-	-	-	121,117
Awardee Conference	37,787	-	37,787	-	-	-	37,787
Conferences and meetings	40,442	9,272	49,714	21,812	949	22,761	72,475
Travel	81,169	6,151	87,320	18,375	11,063	29,438	116,758
Dues and subscriptions	4,967	950	5,917	472	727	1,199	7,116
Insurance	9,000	226	9,226	1,800	700	2,500	11,726
Advertising	12,550	2,965	15,515	918	1,837	2,755	18,270
Special events	-	-	-	-	2,277	2,277	2,277
Depreciation	5,524	138	5,662	690	553	1,243	6,905
Total	\$ 3,328,489	\$ 1,153,479	\$ 4,481,968	\$ 822,877	\$ 540,291	\$ 1,363,168	\$ 5,845,136

CREATIVE CAPITAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES – (Continued)

For The Year Ended June 30, 2019

	Program Services			Supporting Services			Total Program And Supporting Services
	Artist Initiatives	AWGP	Total	Management And General	Fund- Raising	Total	
Salaries	\$ 783,519	\$ 200,125	\$ 983,644	\$ 399,537	\$ 394,021	\$ 793,558	\$ 1,777,202
Fringe benefits	157,017	40,105	197,122	80,914	78,962	159,876	356,998
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	10,776	269	11,045	808	1,617	2,425	13,470
Total	\$ 3,350,644	\$ 1,135,910	\$ 4,486,554	\$ 768,901	\$ 553,463	\$ 1,322,364	\$ 5,808,918

See notes to the financial statements.

CREATIVE CAPITAL FOUNDATION

STATEMENTS OF CASH FLOWS

For The Years Ended June 30, 2020 And 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 641,968	\$ (415,754)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	6,905	13,470
Realized/unrealized gain on investments	(117,899)	(205,838)
Change in contributions and grants receivable	(1,054,815)	434,568
Change in prepaid expenses and other assets	-	4,694
Change in accounts and accrued expenses payable	(119,314)	264,759
Change in grants payable	<u>49,595</u>	<u>133,985</u>
Net cash (used for) provided by operating activities	<u>(593,560)</u>	<u>229,884</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(558,328)	(470,218)
Proceeds from sale of investments	1,002,385	425,623
Purchase of fixed assets	<u>(7,251)</u>	<u>(5,704)</u>
Net cash provided by (used for) investing activities	<u>436,806</u>	<u>(50,299)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from refundable advance	<u>306,268</u>	<u>-</u>
Net cash provided by financing activities	<u>306,268</u>	<u>-</u>
Net increase in cash and cash equivalents	149,514	179,585
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,593,180</u>	<u>2,413,595</u>
End of year	<u>\$2,742,694</u>	<u>\$2,593,180</u>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 And 2019

(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, 2020 And 2019

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 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. CCF recognizes contributions when cash, securities or other assets; or an unconditional promise to give; is received.

REVENUE RECOGNITION

CCF recognizes revenue from workshops as program service fees at the time the workshop is held which is the time at which the performance obligation is met and CCF is entitled to such revenue.

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. Conditional contributions – that is, those with a measurable performance or other barrier and a right of return, are recognized at the time such conditions have been met.

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.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2020 And 2019

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.

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 ALLOCATION OF EXPENSES

The costs of providing Program Services and Supporting Services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among Program Services and Supporting Services as follows:

Program Services – Certain expenses are charged to Program Services that benefit directly from the expenditure. Salaries, employee benefits, and payroll taxes directly related to programs are charged to Program Services. Program costs are allocated to the programs based on a predetermined percentage based upon management's past experience.

Supporting Services – These expenses comprise general and administrative expenses attributable to the general operations of CCF. These expenses also included fundraising costs incurred to generate contributions for CCF.

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 (2016 – 2019) or expected to be taken in CCF's 2020 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

NEW ACCOUNTING PRONOUNCEMENTS 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 transaction should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a transaction is conditional. This ASU was adopted by CCF for the year ended June 30, 2020 and did not have a material effect on the statements of financial position or results of operations.

Also, during 2020, CCF adopted ASU No. 2014-09 – Revenue from Contracts with Customers (Topic 606), as amended. This guidance provides the framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and not-for-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way CCF recognizes revenue.

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2020 And 2019

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2021. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. CCF plans to adopt the new ASU at the required implementation date.

(3) CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable at June 30, 2020 and 2019 are expected to be realized as follows:

	<u>2020</u>	<u>2019</u>
In one year or less	\$1,051,900	\$ 465,000
In one to five years	<u>640,703</u>	<u>166,500</u>
	1,692,603	631,500
Less: discount	<u>(15,846)</u>	<u>(9,558)</u>
Net contributions and grants receivable	<u>\$1,676,757</u>	<u>\$621,942</u>

In determining the present value of the expected future cash flows, discount rates ranging from .18% to 3% were applied at June 30, 2020 and 2019.

As of June 30, 2020 and 2019, 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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 197,292	\$ 191,058
Fixed income funds	2,032,724	2,175,020
Equity funds	3,101,409	3,291,505
Note receivable	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 5,431,425</u>	<u>\$ 5,757,583</u>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2020 And 2019

	<u>2020</u>	<u>2019</u>
Investments are classified as follows:		
Short-term investments	\$ 3,523,318	\$ 3,836,688
Long-term investments:	<u>1,908,107</u>	<u>1,920,895</u>
Total	<u>\$ 5,431,425</u>	<u>\$ 5,757,583</u>
Investment return:		
Interest and dividends, net of investment expenses of \$20,623 and \$21,866, respectively	\$ 124,983	\$ 132,701
Realized gains on investments	127,996	109,695
Unrealized (losses) gains on investments	<u>(10,097)</u>	<u>96,143</u>
Total investment return	242,882	338,539
Investment return allocated to long-term investments	<u>(75,595)</u>	<u>(107,499)</u>
Investment return on short-term investments	<u>\$ 167,287</u>	<u>\$ 231,040</u>

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

	<u>2020</u>	
	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 39,046	\$ 39,046
Net realized and unrealized gains	<u>36,549</u>	<u>36,549</u>
Endowment return on long-term investments	75,595	75,595
Endowment return designated for current operations	<u>88,383</u>	<u>88,383</u>
Endowment return in deficiency of amounts designated for current operations	<u>\$ (12,788)</u>	<u>\$ (12,788)</u>
	<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>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2020 And 2019

(5) FAIR VALUE MEASUREMENTS

CCF 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 CCF 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 CCF'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 CCF's assets and liabilities that are carried at fair value as of June 30, 2020 and 2019 are as follows:

	2020			Total
	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs	
Money market funds	\$ 197,292	\$ -	\$ -	\$ 197,292
Fixed income funds	2,032,724	-	-	2,032,724
Equity funds	3,101,409	-	-	3,101,409
Note receivable	-	-	100,000	100,000
	<u>\$ 5,331,425</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 5,431,425</u>

	2019			Total
	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs	
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>

There were no transfers between Level 1 and Level 2 during the year ended June 30, 2020 or 2019.

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

	2020	2019
Balance, beginning of year	\$ 100,000	\$ -
Purchases	-	100,000
Balance, end of year	<u>\$ 100,000</u>	<u>\$ 100,000</u>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2020 And 2019

(6) REFUNDABLE ADVANCE

On April 10, 2020, CCF received a \$306,268 loan under the Small Business Administration’s (“SBA”) Payment Protection Program (the “PPP Loan”). CCF considers this to be a conditional contribution as it expects to meet the criteria for loan forgiveness upon incurring eligible expenditures and when its application for forgiveness is accepted by the SBA. CCF considers the incurrence of eligible expenses and the acceptance of its application for forgiveness to be barriers in the PPP Loan agreement and as such, will recognize contribution income when these conditions are substantially met. If such conditions are not met, CCF is required to repay the PPP Loan in two years from the date of the agreement at a 1% interest annual interest rate.

(7) NET ASSETS

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following for the years ended June 30, 2020 and 2019:

	2020			Ending Balances
	Beginning Balances	Additions	Releases	
The Doris Duke Charitable Foundation	\$ 947,360	\$ 359,159	\$ 739,063	\$ 567,456
The Geraldine R. Dodge Foundation	15,000	-	15,000	-
New York Community Trust	40,550	50,000	40,550	50,000
The Andy Warhol Foundation for the Visual Arts:				
General support	1,500,000	1,500,000	1,500,000	1,500,000
Occupancy (Note 9)	173,279	237,969	232,771	178,477
Cash reserve	1,000,000	-	-	1,000,000
Arts Writers Grant Program	68,049	1,090,000	1,097,169	60,880
Two Sister and a Wife Foundation	37,867	-	15,000	22,867
NEA	-	24,960	-	24,960
Lyda Kuth	-	104,621	35,297	69,324
Ronald Feldman	7,399	-	500	6,899
DCA	7,409	34,510	35,019	6,900
Colleen Jennings-Roggensack	443	-	443	-
Hilary Bates and Jerome Simon	17,285	-	17,285	-
Catherine & Jeffrey Soros	21,121	-	21,121	-
Stephen Reily	14,493	124,507	39,493	99,507
William K. Bowes Jr. Foundation	42,243	-	42,243	-
Paige West	86,427	-	-	86,427
Hewlett Foundation	120,788	-	80,788	40,000
Mellon Foundation	361,365	-	361,365	-
Scherman (Roisin) Foundation	295,594	-	102,000	193,594
The TOBY Fund	-	200,000	200,000	-
Westenberger Estate	750,000	-	-	750,000
Lily Auchincloss Foundation	-	39,904	20,000	19,904
Lambent Foundation (Tides Foundation)	-	598,653	350,000	248,653
Surdna Foundation	-	1,195,693	400,000	795,693
Accumulated endowment income	<u>794,895</u>	<u>(12,788)</u>	<u>-</u>	<u>782,107</u>
Total net assets with donor restrictions – time/purpose	<u>\$ 6,301,567</u>	<u>\$ 5,547,188</u>	<u>\$ 5,345,107</u>	<u>6,503,648</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>\$ 7,529,648</u>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2020 And 2019

	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 st 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>\$ 4,398,949</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, 2020 And 2019

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, 2020 And 2019

RETURN OBJECTIVES AND RISK PARAMETERS

According to policy approved by the Board of Directors on February 1, 2018, 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 average of the fair market value of the Invested Reserves and Endowment over the previous 12 quarters. 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 years ended June 30, 2020 and 2019, \$88,383 and \$83,015, respectively, were distributed from the endowment fund.

The classification by net asset type at June 30, 2020 and 2019 is as follows:

	<u>2020</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	782,107	782,107
Funds functioning as endowment	<u>-</u>	<u>-</u>
Total funds	<u>\$ 1,808,107</u>	<u>\$ 1,808,107</u>
	<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>

CREATIVE CAPITAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2020 And 2019

Changes in endowment net assets for the years ended June 30, 2020 and 2019:

	<u>2020</u>	
	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2019	\$ 1,820,895	\$ 1,820,895
Investment return:		
Investment income, net	39,046	39,046
Net realized/unrealized gains	36,549	36,549
Designated for current operations	<u>(88,383)</u>	<u>(88,383)</u>
Total investment return	<u>(12,788)</u>	<u>(12,788)</u>
Endowment net assets, June 30, 2020	<u>\$ 1,808,107</u>	<u>\$ 1,808,107</u>
	<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>

(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 2020 and 2019, CCF incurred approximately \$83,000 and \$66,500, 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 \$224,752 and \$222,383 has been recognized and included in accounts payable and accrued expenses payable in the Statement of Financial Position as of June 30, 2020 and 2019, respectively. The leases are subject to adjustments for escalations and certain operating expenses. Rent expense for the years ended June 30, 2020 and 2019 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, 2020 And 2019

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

	Office Facilities
2021	\$ 271,700
2022	278,500
2023	285,500
2024	292,600
2025	299,900
2026	<u>359,400</u>
	<u>\$ 1,787,600</u>

(10) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects CCF's financial assets as of June 30, 2020 and 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	2020	2019
Cash and cash equivalents	\$ 2,742,694	\$ 2,593,180
Contributions receivable, short-term	1,051,900	465,000
Investments	<u>5,431,425</u>	<u>5,757,583</u>
Total financial assets	9,226,019	8,815,763
Less:		
True endowment funds	1,808,107	1,820,895
Note receivable	100,000	100,000
Net assets with donor-imposed restrictions	<u>5,721,541</u>	<u>5,506,672</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,596,371</u>	<u>\$ 1,388,196</u>

CCF 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 CCF'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) CONTINGENCIES

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. The current operating environment is changing rapidly. The extent of the impact that the COVID-19 pandemic will have on the financial performance of CCF's investments and operations is not reasonably estimable at this time. We will continue to monitor the effects of the COVID-19 pandemic and will adjust our operations as necessary.

(12) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, February 9, 2021, 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.