

**CENTER FOR CREATIVE EDUCATION, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**CENTER FOR CREATIVE EDUCATION, INC.**  
**FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2016**

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# LARRISA M. SHAFFER CPA, P.A.

Jupiter, Florida 33458

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Center for Creative Education, Inc.  
West Palm Beach, Florida

We have audited the accompanying statement of financial statements of the Center for Creative Education, Inc. (a non-profit organization) which comprise the statement of financial position as of September 31, 2016, and the related statement of activities and changes in nets assets, statement of functional expenses and the statement of cash flows for the year 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**

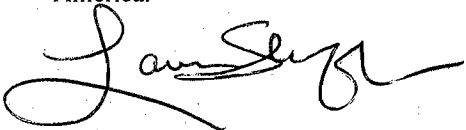
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves 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 for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center for Creative Education, Inc. as of September 30, 2016, and the changes in its nets assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



LARRISA M. SHAFFER, CPA, P.A.  
Jupiter, Florida  
February 06, 2017

**CENTER FOR CREATIVE EDUCATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**As of September 30, 2016**

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	<u>2016</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 798,948
Receivables	
Pledges outstanding	1,000,000
Grants outstanding	20,935
Other receivables	45,741
Certificate of deposit	683
Pooled investments, at fair value	108,464
Property and equipment, net	4,501,258
Land	433,126
Works of art	7,500
	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 6,916,655</b>

See accompanying notes and independent auditors' report.

**CENTER FOR CREATIVE EDUCATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**As of September 30, 2016**

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	<u>2016</u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 47,762
Deferred revenues	16,817
Mortgage	<u>358,464</u>
<b>TOTAL LIABILITIES</b>	423,043
<b>NET ASSETS</b>	
Unrestricted	
Board designated - endowment	103,895
Undesignated	5,180,148
Temporarily Restricted	<u>1,209,569</u>
<b>TOTAL NET ASSETS</b>	<u>6,493,612</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,916,655</u>

See accompanying notes and independent auditors' report.

**CENTER FOR CREATIVE EDUCATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue and Support:</b>			
State & Local Government	\$ 850,648	\$ -	\$ 850,648
Foundation/Grants	212,500	100,000	312,500
Contributions/Donations	22,679	-	22,679
Programming	94,032	-	94,032
Special events	218,124	-	218,124
Board contributions	12,150	-	12,150
Other income	26,645	4,569	31,214
Net assets released from restriction	750,028	(750,028)	-
<b>TOTAL SUPPORT</b>	<b>2,186,806</b>	<b>(645,459)</b>	<b>1,541,347</b>
<b>Expenses:</b>			
Program services	1,069,029	-	1,069,029
Supporting services:			
Management and general	74,908	-	74,908
Fundraising	112,470	-	112,470
<b>TOTAL EXPENSES</b>	<b>1,256,407</b>	<b>-</b>	<b>1,256,407</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>930,399</b>	<b>(645,459)</b>	<b>284,940</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>4,353,644</b>	<b>1,855,028</b>	<b>6,208,672</b>
<b>NET ASSETS (DEFICIT) AT END OF YEAR</b>	<b>\$ 5,284,043</b>	<b>\$ 1,209,569</b>	<b>\$ 6,493,612</b>

See accompanying notes and independent auditors' report.

**CENTER FOR CREATIVE EDUCATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended September 30, 2016**

	<u>Total</u>	<u>Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>
Program expenses	\$ 285,043	\$ 285,043	\$ -	\$ -
Special events	57,839	-	-	57,839
Dues and subscriptions	3,999	3,433	327	239
Conference/Workshops	81	69	7	5
Accounting	12,161	10,437	997	727
Consulting	57,506	49,352	4,715	3,439
Development	7,877	6,760	646	471
Insurance	80,777	69,323	6,623	4,831
Taxes, licenses & permits	962	825	79	58
Office expense	14,232	12,213	1,167	852
Equipment rental	9,456	8,115	775	566
Depreciation & amortization	158,063	135,649	12,962	9,452
Property taxes	3,694	3,170	303	221
Repairs & maintenance	22,235	19,081	1,824	1,330
Payroll & benefits	494,822	424,657	40,575	29,590
Travel	1,377	1,183	112	82
Postage	1,954	1,676	161	117
Utilities	25,985	22,300	2,131	1,554
Interest expense	18,344	15,743	1,504	1,097
<b>TOTAL</b>	<u>\$ 1,256,407</u>	<u>\$ 1,069,029</u>	<u>\$ 74,908</u>	<u>\$ 112,470</u>

See accompanying notes and independent auditors' report.

**CENTER FOR CREATIVE EDUCATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 2016**

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

<b>Increase (Decrease) in Net Assets:</b>	\$	284,940
<b>Adjustments to reconcile net cash provided by operating activities:</b>		
Depreciation/Amortization		158,063
Noncash capitalized salaries to capital construction		(131,697)
<b>(Increase)/decrease in operating activities:</b>		
Increase in other receivables		(45,741)
Decrease in grants and pledges outstanding		597,496
Increase in deferred revenues		16,817
Increase in accounts payable and accrued expenses		12,886
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>892,764</b>

**CASH FLOWS (USED)/PROVIDED BY INVESTING ACTIVITIES:**

Payments for property, equipment and capital construction		(619,891)
Transfer of funds into board designated endowment fund		(108,464)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>		<b>(728,355)</b>

**CASH FLOWS (USED)/PROVIDED BY FINANCING ACTIVITIES:**

Payments on debt – Bank of America		(18,933)
<b>NET CASH (USED) BY FINANCING ACTIVITIES</b>		<b>(18,933)</b>

<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	\$	<b>145,476</b>
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<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>		653,472
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	\$	<b>798,948</b>

**SUPPLEMENTAL DISCLOSURES AND NONCASH ACTIVITIES:**

Income Taxes paid		46,137
Interest expense (net of capitalized amounts)	\$	<b>18,344</b>

See accompanying notes and independent auditors' report.



**CENTER FOR CREATIVE EDUCATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The Center for Creative Education, Inc. (the “Organization”) is organized generally to develop, coordinate, and promote arts and cultural activities and school reform endeavors in Palm Beach County schools, community organizations, and other venues which serve youth. The Organization is supported through donor contributions and grants at the State and local levels, including support from Prime Time Palm Beach County, Inc., which receives significant funding from the Children’s Services Council of Palm Beach County, Inc. In July 2013, the Organization completed the first phase (Phase I) of a capital building campaign to renovate a facility in the Northwood Section of the city of West Palm Beach for use in providing additional in-house programming to local youth. The space completed in 2013 included classrooms, meeting areas, rehearsal space, and an art gallery, positioning the Organization to develop exceptional resources for arts and education extended to both students and the community. Phase II construction began in summer of 2015 completing two art studios which were necessary based on the growth of in-house programming. Construction will continue into the beginning of FY 2016-2017 completing additional classrooms, student restrooms, and larger public restrooms.

The Organization qualifies as a not-for-profit entity in accordance with Section 501 (c)(3) of the Internal Revenue Code in Palm Beach County.

**Basis of Accounting**

The Organization’s financial statements are presented in accordance with FASC ASC 958, formerly Statement of Financial Accounting Standards (“SFAS”) No. 117, *Financial Statements of Not-for-Profit Organizations*, which prescribes standards for the form and presentation of external financial statements for all not-for-profit organizations. The Statement requires the classification of an organization’s net assets, its revenues and expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. It requires the amounts for each of three classes of net assets (permanently restricted, temporarily restricted and unrestricted) be displayed in a statement of financial position and the amounts of the change in each of the three classes of net assets be displayed in a statement of activities. The statements are prepared using the accrual basis of accounting.

**See independent auditors’ report.**

**CENTER FOR CREATIVE EDUCATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
*(continued)*

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 public support and revenue, and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue Recognition**

The Organization follows FASB ASC 958-605, formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions received are recognized at fair value, including unconditional promises to give, which are recorded when the promise is made. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods (time restriction) or are restricted by the donor for specific purposes (purpose restriction) are reported as temporarily restricted support.

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 are reported in the statement of activities as net assets released from restrictions. Awards with a donor restriction that expires or is met in the same fiscal period that the award is received are reported as increases in unrestricted net assets. All promises to give for completing construction of the new building are accounted for as capital campaign revenue and considered to be temporarily restricted since these amounts represent unconditional promises to give with a specific purpose intended. Once the building or designated phase/project is placed in service, all temporarily restricted assets are reclassified as unrestricted. Upon completion in July 2013, all historical temporarily restricted net assets were released from restriction. Grants or contributions given to complete additional phases of the project are classified as temporarily restricted until the specific project is completed.

**See independent auditors' report.**

**CENTER FOR CREATIVE EDUCATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
*(continued)*

**Revenue Recognition** *(continued)*

The Organization receives various grants from state, local and private agencies for program and supporting services. These grants are often funded on a cost reimbursement basis. Revenues from these types of grants are recognized in the statement of activities when expenditures are incurred for the purpose specified, and included in unrestricted revenues and support.

Tuition from programs and classes are recorded when held, net of scholarships awarded to students.

Special events revenue is recognized in the period the event occurs.

**Donated Services**

The Organization recognizes the fair value of donated services received if such services: (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

**Pledges Outstanding**

Pledges outstanding are recorded as revenue when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization uses the allowance method to determine estimated uncollectible amounts. The provision is based upon previous years' experience and management's analysis of specific promises made on an individual basis.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities of the Organization have been summarized in the accompanying statement of activities on a functional basis. Accordingly, certain shared costs have been allocated among program and support services based on estimates made by management.

**See independent auditors' report.**

**CENTER FOR CREATIVE EDUCATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

*(continued)*

**Functional Allocation of Expenses** *(continued)*

During the construction phases of the new building, certain functional expenses may be allocated and capitalized to the capital construction account on the balance sheet as allowable during pre-construction and construction phases of project implementation. The capitalized expenditures represent time and costs attributable to the construction project during the construction phase. In 2015, management did not allocate general and administrative costs to any additional phases of the construction project.

**Investments and Fair Value Measurement**

The Organization applies the U.S. GAAP authoritative guidance for *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value and requires certain disclosures about fair value measurements used to measure fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets

Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data by correlation such as appraisals or other means such as calculations based on contractual rates and published tables.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the marketplace's perceived risk of that instrument. The measurement of assets and liabilities, which are presented in Note 4, are classified within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. Management's assessment of the significance of an input requires judgement, which may affect the valuation and classification within the fair value hierarchy.

**See independent auditors' report.**

**CENTER FOR CREATIVE EDUCATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
*(continued)*

**Investments and Fair Value Measurement** *(continued)*

The organization transferred its board designated endowment monies into a pooled investment fund held with the Community Foundation for Palm Beach and Martin Counties and managed by external professional investment consultants who invest according to guidelines established by the Foundation's Investment Committee. Assets in the pool are allocated amongst several assets classes with various income and growth objectives (i.e. global public equity, global private equity, fixed income, liquid income, real assets) carried at fair value based on quoted prices in active markets when available. The individual funds held with the Foundation share investment earnings, as well as realized and changes in unrealized appreciation (depreciation) on investments, based on each fund's pro-rata share of the total dollar amount of all funds in the pool. Earnings distributable in accordance with the annual grant spending policy of the Foundation are included in unrestricted net income in the accompanying statement of activities.

**Property and Equipment**

Land is carried at cost. Donations of property and equipment are recorded as support at their estimated fair value at the time of donation. Such donations are reported as unrestricted support, unless the donor has restricted the donated asset to a specific purpose. Purchased and constructed property and equipment are recorded at cost for expenditures equal to or in excess of \$500 and whose useful life is greater than one year. All property and equipment are depreciated/amortized using the straight-line method over the estimated useful life of the asset.

**Art and Collections**

Art purchased by or donated to the Organization is capitalized in the Statement of Financial Position. Art includes objects that contain aesthetic, historical or educational value and are displayed for exhibition or program activities. Purchased items are recorded as decreases in unrestricted assets at the cost the item was acquired at. Donated items are recorded as an increase in unrestricted support at the fair market value at the time of the donation. Proceeds from deaccessions, which are reflected as increases in unrestricted net assets, are used exclusively to acquire other items for the art collection.

**See independent auditors' report.**

**CENTER FOR CREATIVE EDUCATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
*(continued)*

**Income Taxes**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, therefore, no provision for income taxes is reflected in the financial statements. The Organization's information returns are subject to examination, generally for three years after the filing date.

**Cash and Cash Equivalents**

For purposes of the *Statement of Cash Flows*, the Organization considers all highly liquid investments available for current use with an initial maturity of three (3) months or less to be cash equivalents.

**Significant Concentrations of Cash or Credit Risk**

Cash balances are maintained with financial institutions in South Florida. Accounts with financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of September 30, 2016, the Organization's cash balances held at financial institutions exceeded FDIC limits in one (1) account.

Credit risk for outstanding promises to give is concentrated because substantially all of the balances are receivable from individuals located within the same geographic region.

**Advertising and Promotion**

The Organization follows the policy of charging the costs of advertising and promotion to expense as incurred. Advertising and promotional expense for the year totaled \$14,377.

See independent auditors' report.

**CENTER FOR CREATIVE EDUCATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
*(continued)*

**Board-Designated Endowment Funds**

The Board of Directors has designated a portion of its unrestricted net assets for operations and special projects. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed stipulations. The goal of the Organization’s investment program is to achieve a total rate of return and long-term growth necessary to respond to future needs.

**Net Assets**

Unrestricted net assets are presently available for use by the Organization at the discretion of management with oversight from the Board of Directors. Temporarily restricted net assets are expendable only for purposes and/or during time periods specified by the donor. Permanently restricted net assets are subject to donor imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by the actions of the Organization. The Organization does not have any donor-imposed permanently restricted net assets.

**NOTE 2 – PROMISES TO GIVE**

Promises to give consist of the following:

	<b><u>September 30, 2016</u></b>
Restricted promises:	
Time restricted	\$ 1,000,000
Unrestricted promises:	
Grants/Foundations	<u>20,935</u>
<b>TOTAL</b>	<b><u>\$ 1,020,935</u></b>

See independent auditors’ report.

**CENTER FOR CREATIVE EDUCATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 2 – PROMISES TO GIVE** *(continued)*

Pledges and grants receivable within one year	\$ 520,935
Pledges and grants receivable within two to five years	<u>500,000</u>
<b>TOTAL</b>	<b><u>\$ 1,020,935</u></b>

All promises to give are receivable within one to three years, accordingly, no adjustment for the present value of estimated future cash flows has been made. Management periodically contacts donors throughout the year and assesses individually any outstanding promises to give during the course of the year for collectability. As there have been no collection issues in the past recent years, no additional reserves have been recorded.

**NOTE 3 – INVESTMENTS**

Investments are comprised of the following at September 30, 2016, stated at fair value.

	<b>Cost</b>	<b>Fair Value</b>
Certificate of deposit	\$ 683	\$ 683
Pooled Investment Fund	100,000	108,464
	\$ 100,683	\$ 109,147

The Organization's investment income consists of the following for the year.

Interest and dividend income	\$	514
Net realized gain (loss)		(351)
Net unrealized gain (loss)		8,301
	\$	8,464

The organization paid investment fees of \$523 for the year.

**See independent auditors' report.**



**CENTER FOR CREATIVE EDUCATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 4 – FAIR VALUE MEASUREMENTS**

The following table summarizes the valuation of the organization’s financial assets measured and recorded at fair value on a recurring basis at September 30, 2016, based on the level of input utilized to measure fair value:

	Fair value measurements at September 30, 2016			
	Level 1	Level 2	Level 3	Total
Certificates of Deposits (a)	\$ 683	-	-	\$ 683
Pooled Investment Fund (b)	-	-	108,464	108,464
Total	\$ 683	-	\$ 108,464	\$ 109,147

The table below sets forth a summary of changes in the fair value of the organization’s Level 3 assets:

Fair value as of September 30, 2015	-
Purchase of investments	100,000
Net realized/unrealized gains	8,464
Fair value as of September 30, 2016	\$ 108,464

All unrealized gains and losses on the investments are included in the statement of activities.

- (a) Certificates of deposits are valued at principal plus the stated interest to be paid upon redemption
- (b) Shares in the pooled investment funds are not traceable to specific equities or underlying assets but rather allocated based on the value of the total pool which is also comprised of equity funds, real, liquid and fixed income assets which may use pricing models to determine fair value and are therefore determined to be Level 3 inputs.

**NOTE 5 – CONCENTRATION OF REVENUE**

The Organization currently receives a significant portion of its support from grants provided through a local government organization on an annual basis. During the twelve-month period ended September 30, 2016, approximately 26% of program funding came from this source. Since 2011, the operating revenue risk to the Organization has been reduced by 21% overall.

**See independent auditors’ report.**

**CENTER FOR CREATIVE EDUCATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>September 30, 2016</u>
Buildings	\$ 3,931,849
Instruments & program equipment	52,022
Furniture, fixtures & equipment	244,924
Unamortized loan costs	103,487
Capital construction	<u>900,645</u>
Less: Accumulated depreciation/amortization	(731,669)
Art	7,500
Land	<u>433,126</u>
<b>TOTAL</b>	<u><u>\$ 4,941,884</u></u>

Depreciation and amortization expense for the period ended September 30, 2015, was \$158,063. There were no interest costs capitalized to “Unamortized interest and loan costs” during the year ended September 30, 2016. All balances in this account pertain to original loan costs of completed phases of construction completed in 2013.

**NOTE 7 – OPERATING LEASE AGREEMENTS**

The Organization rents certain office equipment under month-to-month operating leases totaling \$9,456, renewable on an annual basis.

**NOTE 8 – LONG TERM DEBT**

Long-term debt consists of the following:

See independent auditors’ report.

**CENTER FOR CREATIVE EDUCATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 8 – LONG TERM DEBT (continued)**

Mortgage totaling \$357,397 to a financial institution payable in monthly principal installments of \$3,200 including interest at 4.75% through April 30, 2019 at which time a balloon payment of the remaining principal comes due.

Principal payments due for each of the years subsequent to September 30, 2015, are as follows:

2017	\$ 20,000
2018	20,000
2019	<u>317,397</u>
	<u>\$ 357,397</u>

**NOTE 9 – LINE OF CREDIT**

The Organization obtained an operating line of credit with PNC Bank, with a balance available of \$50,000. It is a revolving, unsecured line with no guarantors. Interest is assessed at a floating rate of Prime plus 4.75%. Repayments are due monthly. Throughout the 2015/2016 fiscal year (period ended September 30, 2016), no funds were drawn against the line of credit.

**NOTE 10 – DONATED SERVICES, MATERIALS, AND FACILITIES**

Donated services from artists are not generally recognized because the amounts are typically immaterial. Other donated items recognized include program equipment and supplies. Donated items or in-kind donations when received, are recorded as unrestricted donations with a corresponding charge to the appropriate programming or office expense account.

See independent auditors' report.

**CENTER FOR CREATIVE EDUCATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets generally consist of funds and promises-to-give that have been allocated to the Capital Campaign Project or provided for future programming. In 2016, \$105,028 was released from time restriction for programming purposes that was provided during the year, and \$645,000 was released from restriction for capital expenditures on the building construction project.

The breakdown of temporarily restricted assets is as follows:

Discover Series grants	\$ 54,569
Capital construction and time restricted grants	<u>1,155,000</u>
	<u>\$ 1,209,569</u>

**NOTE 12 – ENDOWMENT NET ASSETS**

The Organization’s endowment consists of a board designated endowment in which individual donor gifts may be made at any time. The spending policy allows for only a portion of annual earnings in the endowment account to be available for distribution each year. Endowment net asset composition by type of fund as of September 30, 2016, is as follows:

	<b>Board Designated- Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Board Designated - endowment	100,000	-	100,000
Earnings on endowment	3,895	4,569	8,464
Total	<u>\$ 103,895</u>	<u>\$ 4,569</u>	<u>\$ 108,464</u>

Changes in endowment net assets for the year ended September 30, 2016 were as follows:

See independent auditors’ report.

**CENTER FOR CREATIVE EDUCATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 12 – ENDOWMENT NET ASSETS (continued)**

	<b>Board Designated- Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	-	-	-
Contributions	100,000	-	100,000
Investment gains (losses)	3,895	4,569	8,464
Endowment net assets, end of year	<u>\$ 103,895</u>	<u>\$ 4,569</u>	<u>\$ 108,464</u>

**NOTE 13 – RELATED PARTY TRANSACTIONS**

The Organization has business accounts at PNC Bank and Bank of America. There are members on the Organization’s Board of Directors from each of these institutions, however, neither of these individuals are directly involved with the management of the accounts.

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

**Pay Down of Debt**

The Organization holds a mortgage with a financial institution, with an outstanding balance of \$357,397 at September 30, 2016. The loan is due and payable in monthly payments through April 2019, with interest at 4.75%.

**Capital Construction Completion**

The Organization is currently in the process of completing construction of Phase IIB which includes two additional classrooms plus separate student and adult restrooms. The Organization is also raising funds for the 3<sup>rd</sup> Phase which is expected to be completed by the end of 2016. There have been significant monetary contributions from individuals, foundations and local governmental entities to fund major portions of the project. There is an explicit guarantee that support received for the project will be expended for the purpose intended, and an implied guarantee that the building will be completed.

See independent auditors’ report.

**CENTER FOR CREATIVE EDUCATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 14 – COMMITMENTS AND CONTINGENCIES *(continued)***

***Grant from the State of Florida***

In October 2015, the Organization received a Cultural Facilities grant from the State of Florida to continue additional phases of the building renovation. The grant includes a restrictive covenant that binds the ownership and use of the building as a “cultural facility” for a minimum of ten years.

**NOTE 15 – SUBSEQUENT EVENTS**

***Management’s Assessment***

Subsequent events have been evaluated through February 06, 2017, the date which the financial statements were available to be issued.

***Grant from State of Florida***

The Organization has received a second grant totaling \$400,000 from the State of Florida. The grant includes a restrictive covenant binding the building as a “cultural facility” for an additional ten years after the expiration of the first cultural restrictive covenant.

See independent auditors’ report.