CENTER FOR CREATIVE EDUCATION, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
CENTER FOR CREATIVE EDUCATION, INC.
FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

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</tr>
</tbody>
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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, 2014, 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, 2014, 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.

PARKES & SHAFFER, CPA, P.A.
West Palm Beach, Florida
December 19, 2014
CENTER FOR CREATIVE EDUCATION, INC.
STATEMENT OF FINANCIAL POSITION
As of September 30, 2014

ASSETS

2014

Current Assets:
Cash and cash equivalents $ 126,325
Long-term certificate of deposit 683
Receivables
  Pledges outstanding 361,670
  Grants outstanding 118,029
  Prepaid expenses 9,274
Total current assets 615,981

Non-current assets:
Pledges and grants outstanding, less current portion 158,452
Property and equipment, net of accumulated depreciation 3,826,657
Land 433,126
Works of art 7,500
Total non-current assets 4,425,735

TOTAL ASSETS $ 5,041,716

See accompanying notes and independent auditors’ report.
## CENTER FOR CREATIVE EDUCATION, INC.
### STATEMENT OF FINANCIAL POSITION

As of September 30, 2014

### LIABILITIES

<table>
<thead>
<tr>
<th>Current Liabilities:</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$35,864</td>
</tr>
<tr>
<td>Line of credit</td>
<td>40,315</td>
</tr>
<tr>
<td>Mortgage, current portion</td>
<td>38,400</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>114,579</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Long-Term Liabilities:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage, less current portion</td>
<td>358,344</td>
</tr>
<tr>
<td><strong>Total long-term liabilities</strong></td>
<td>358,344</td>
</tr>
</tbody>
</table>

**TOTAL LIABILITIES**

472,923

### NET ASSETS

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>4,302,737</td>
</tr>
<tr>
<td>Temporarily Restricted</td>
<td>266,056</td>
</tr>
</tbody>
</table>

**TOTAL NET ASSETS**

4,568,793

**TOTAL LIABILITIES AND NET ASSETS**

$5,041,716

See accompanying notes and independent auditors' report.
## CENTER FOR CREATIVE EDUCATION, INC.
### STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue and Support:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pledges</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Foundation grants</td>
<td>114,030</td>
<td>266,056</td>
<td>380,086</td>
</tr>
<tr>
<td>Primetime Palm Beach</td>
<td>420,215</td>
<td></td>
<td>420,215</td>
</tr>
<tr>
<td>Local governmental grants</td>
<td>37,371</td>
<td></td>
<td>37,371</td>
</tr>
<tr>
<td>Contributions</td>
<td>73,503</td>
<td></td>
<td>73,503</td>
</tr>
<tr>
<td>Special events</td>
<td>207,411</td>
<td></td>
<td>207,411</td>
</tr>
<tr>
<td>Student tuition, net of scholarships</td>
<td>3,616</td>
<td></td>
<td>3,616</td>
</tr>
<tr>
<td>Board contributions</td>
<td>660</td>
<td></td>
<td>660</td>
</tr>
<tr>
<td>Other</td>
<td>950</td>
<td></td>
<td>950</td>
</tr>
<tr>
<td>Net assets released from restriction</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL SUPPORT</strong></td>
<td>857,756</td>
<td>266,056</td>
<td>1,123,812</td>
</tr>
</tbody>
</table>

| **Expenses:**                  |              |                        |        |
| Program services               | 796,942      |                        | 796,942|
| Supporting services:           |              |                        |        |
| Management and general         | 75,943       |                        | 75,943 |
| Fundraising                    | 161,526      |                        | 161,526|
| **TOTAL EXPENSES**             | 1,034,411    |                        | 1,034,411|

| **INCREASE (DECREASE) IN NET ASSETS** | (176,655) | 266,056 | 89,401 |
| **NET ASSETS AT BEGINNING OF YEAR**  | 4,479,392 | -       | 4,479,392|
| **NET ASSETS (DEFICIT) AT END OF YEAR** | $4,302,737 | $266,056 | $4,568,793 |

See accompanying notes and independent auditors’ report.
## Center for Creative Education, Inc.
### Statement of Functional Expenses
For the Year Ended September 30, 2014

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Program</th>
<th>Management &amp; General</th>
<th>Fundraising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Artist Fees &amp; Development</td>
<td>$199,129</td>
<td>$199,129</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>Accounting</td>
<td>11,145</td>
<td>10,588</td>
<td>529</td>
<td>28</td>
</tr>
<tr>
<td>Depreciation</td>
<td>124,951</td>
<td>119,916</td>
<td>5,035</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>12,560</td>
<td>12,413</td>
<td>147</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>19,440</td>
<td>18,517</td>
<td>923</td>
<td></td>
</tr>
<tr>
<td>Taxes, licenses and permits</td>
<td>4,791</td>
<td>4,563</td>
<td>228</td>
<td></td>
</tr>
<tr>
<td>Office expense</td>
<td>19,797</td>
<td>18,831</td>
<td>906</td>
<td>60</td>
</tr>
<tr>
<td>Payroll and benefits</td>
<td>461,462</td>
<td>341,482</td>
<td>64,605</td>
<td>55,375</td>
</tr>
<tr>
<td>Public relations</td>
<td>26,000</td>
<td>24,765</td>
<td>1,235</td>
<td></td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>4,506</td>
<td>4,281</td>
<td>214</td>
<td>11</td>
</tr>
<tr>
<td>Phones and utilities</td>
<td>30,844</td>
<td>29,302</td>
<td>1,465</td>
<td>77</td>
</tr>
<tr>
<td>Special events</td>
<td>105,975</td>
<td>-</td>
<td>-</td>
<td>105,975</td>
</tr>
<tr>
<td>Equipment rental</td>
<td>13,811</td>
<td>13,155</td>
<td>656</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$1,034,411</td>
<td>$796,942</td>
<td>$75,943</td>
<td>$161,526</td>
</tr>
</tbody>
</table>

See accompanying notes and independent auditors' report.

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CASH FLOWS FROM OPERATING ACTIVITIES:

Increase (Decrease) in Net Assets: $ 89,401

Adjustments to reconcile net cash provided by operating activities:
Depreciation 124,951
Contributions for capital campaign (36,978)

(Increase)/decrease in operating activities:
Increase in prepaid expenses (9,274)
Increase in grants outstanding (39,512)
Increase in accounts payable and accrued expenses 16,096

NET CASH PROVIDED BY OPERATING ACTIVITIES 144,684

CASH FLOWS (USED)/PROVIDED BY INVESTING ACTIVITIES:
Contributions for capital construction 36,978
Payments for property, equipment and capital construction (55,617)

NET CASH (USED) BY INVESTING ACTIVITIES (18,639)

CASH FLOWS (USED)/PROVIDED BY FINANCING ACTIVITIES:
Capital Construction (36,978)
Payments on debt – Bank of America (21,815)
Payments on line of credit (8,658)
Borrowings on line of credit -

NET CASH (USED) BY FINANCING ACTIVITIES (67,451)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS $ 58,594
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR 67,731
CASH AND CASH EQUIVALENTS – END OF YEAR $ 126,325

SUPPLEMENTAL DISCLOSURES AND NONCASH ACTIVITIES:
Interest expense (net of capitalized amounts) $ 19,440

See accompanying notes and independent auditors’ report.
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 of a capital building campaign to renovate a facility in downtown West Palm Beach, Florida, for use in providing additional on-site programming to local youth. The new space includes 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.

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 for accounting.

See independent auditors’ report.

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

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 times periods specified by the donor. The Organization does not have any donor-imposed permanently restricted net assets.

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 stipulation 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

See independent auditors' report.

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NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

(continued)

Revenue Recognition (continued)

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 intended purpose is met.

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 is recorded as classes are held, net of scholarships awarded to students.

Special events revenue is recognized when 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.

See independent auditors’ report.
NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

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.

During the construction phases of the new building, certain functional expenses are 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 2014, there was no active construction that occurred on Phase II of the building, thus, management did not allocate general and administrative costs to the project.

Fair Value Measurement

The Organization implemented FASB ASC 820-10, formerly SFAS No. 157, “Fair Value Measurements” in fiscal year 2009. This statement defines “fair value” and establishes a framework for measuring fair value of a position in a financial instrument. The fair market value of a financial instrument is defined in FASB ASC Topic 825, Financial Instruments, as “the amount at which the instrument could be exchanged in a current transaction between willing parties.” The carrying amounts reported in the accompanying statements of financial position for campaign (pledge) receivables approximate fair value as they are considered short-term financial instruments.

See independent auditors’ report.
NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Property and Equipment

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 using the straight-line method over the estimated useful life of
the asset.

Art and Collections

Art purchased by or donated to the Organization are 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.

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.

See independent auditors’ report.
NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(continued)

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 $124,951.

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, 2014, the Organization’s cash balances held at financial institutions did not exceed FDIC limits.

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

NOTE 2 – PROMISES TO GIVE

Promises to give consist of the following:

<table>
<thead>
<tr>
<th>Unrestricted promises:</th>
<th>September 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions to building campaign released from restriction</td>
<td>$ 361,670</td>
</tr>
<tr>
<td>Foundation grants</td>
<td>276,481</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 638,151</strong></td>
</tr>
</tbody>
</table>

| Pledges and grants receivable within one year | $ 520,123 |
| Pledges and grants receivable within two to five year | 118,028   |
| **TOTAL**                                     | **$ 638,151**   |

See independent auditors’ report.
CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – PROMISES TO GIVE (continued)

All promises to give are receivable within one to three years. Due to the small number of promises due beyond one year, no adjustment for the present value of estimated future cash flows has been made. Management periodically contacts donors throughout the year and assesses individually all remaining pledges outstanding in the current year for collectability. As collections have been significant since the completion of Phase I of the project, no additional reserves have been recorded.

NOTE 3 – CONCENTRATION OF REVENUE

The Organization currently receives a significant portion of its support from grants provided through Primetime Palm Beach. During the twelve-month period ended September 30, 2014, approximately 38% of funding came from this source.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>September 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>$ 3,931,849</td>
</tr>
<tr>
<td>Program equipment</td>
<td>38,823</td>
</tr>
<tr>
<td>Office, furniture and equipment</td>
<td>253,337</td>
</tr>
<tr>
<td>Leaseholds</td>
<td>9,075</td>
</tr>
<tr>
<td>Phase II building renovation</td>
<td>36,978</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(433,405)</td>
</tr>
<tr>
<td>Art</td>
<td>7,500</td>
</tr>
<tr>
<td>Land</td>
<td>433,126</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 4,267,283</strong></td>
</tr>
</tbody>
</table>

See independent auditors’ report.
NOTE 4 – PROPERTY AND EQUIPMENT (continued)

Depreciation expense for the period ended September 30, 2014, was $124,951. There were no interest costs capitalized to “Unamortized interest and loan costs” during the year ended September 30, 2014.

NOTE 5 – OPERATING LEASE AGREEMENTS

The Organization rents certain office equipment under month-to-month operating leases totaling $13,811, renewable on an annual basis.

NOTE 6 – LONG TERM DEBT

Long-term debt consists of the following:

Mortgage totaling $396,744 to a financial institution payable in monthly principal installments of $3,200 plus interest at 4.75% through April 30, 2019 at which time a balloon payment of the remaining principal comes due.

Debt maturities for each of the five years following September 30, 2014, are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$ 38,400</td>
</tr>
<tr>
<td>2016</td>
<td>$ 38,400</td>
</tr>
<tr>
<td>2017</td>
<td>$ 38,400</td>
</tr>
<tr>
<td>2018</td>
<td>$ 38,400</td>
</tr>
<tr>
<td>2019</td>
<td>$ 243,144</td>
</tr>
</tbody>
</table>

$ 396,744

See independent auditors’ report.
NOTE 7 – 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. As of September 30, 2014, the balance drawn on this line is $40,315 set to expire March 5, 2016.

NOTE 8 – DONATED SERVICES, MATERIALS, AND FACILITIES

Donated services from artists are not generally recognized because the amounts are typically immaterial. Other donated items recognized in 2014 include program equipment and supplies. The donated items are recorded as unrestricted donations with a corresponding charge to the appropriate programming or office expense account.

NOTE 9 – 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. In 2014, the Organization also received a grant to provide programming for a new series offered to students in the new facility, called the “Discover Series”. The grant is payable over a three year period beginning in 2014 and included in temporarily restricted assets for portions of the grant that have not yet been expended/received. There were no restricted sources of support released from restriction recorded in the current year.

The breakdown of temporarily restricted assets is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discover Series grant</td>
<td>$166,056</td>
</tr>
<tr>
<td>Grant for Phase II capital construction</td>
<td>$100,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$266,056</strong></td>
</tr>
</tbody>
</table>

See independent auditors’ report.

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NOTE 10 – RELATED PARTY TRANSACTIONS

The Organization holds an unsecured line of credit with PNC Bank facilitated through a former member of the Board of Directors, who is also a Vice-President of the bank. Total available credit is $50,000 for operational purposes.

NOTE 11 – RISKS AND UNCERTAINTIES

At various times, the Organization may hold for exhibition, various works of art on loan from third parties. Failure to inadequately insure the value of property in possession may adversely affect the Organization if significant damages or theft were to occur. The Organization believes their general liability insurance coverage is maintained at levels sufficient to cover the building and property damages including art, both owned and held on display.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Pay Down of Debt

The Organization holds a mortgage with a financial institution, with an outstanding balance of $396,744 at September 30, 2014. The loan is due and payable in monthly payments through April 2019, with interest at 4.75%.

Lines of Credit- Due on Demand

At September 30, 2014, the Organization held a balance of $ 40,315 on an unsecured, revolving line of credit with PNC bank, obtained for operating purposes. The line has a variable interest rate of Prime plus 4.75, due on demand with no guarantors. If no demand for payment is made, the line matures on March 5, 2015.

See independent auditors’ report.
NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)

Capital Construction Completion

The Organization is currently in the process of fundraising for the 2nd phase of renovation of the building under construction and placed in service in 2013. 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. The Organization estimates the future costs to complete this phase at approximately $350,000.

Lien Held on Property under Construction

As a condition of the CRA grant issued from the City of West Palm Beach, there is a two-year lien placed on the building from the issuance of the award to secure the City’s interest if the organization were to decide to sell the property prior to that time. The lien will expire March 25, 2015.

NOTE 13 – SUBSEQUENT EVENTS

Management’s Assessment

The Organization adopted FASB ASC 855-10, formerly SFAS No. 165, “Subsequent Events” in 2009. Subsequent events have been evaluated through December 11, 2014, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

See independent auditors’ report.

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