

CENTER FOR CREATIVE EDUCATION, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019

CENTER FOR CREATIVE EDUCATION, INC.
FINANCIAL STATEMENTS
For the Years Ended September 30, 2020 and 2019

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LARRISA M. SHAFFER CPA, P.A.

Jupiter, Florida 33458

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Center for Creative Education, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and 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 audits. We conducted our audits 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



LARRISA M. SHAFFER, CPA, P.A.
Jupiter, Florida
February 18, 2021

CENTER FOR CREATIVE EDUCATION, INC.
STATEMENT OF FINANCIAL POSITION
As of September 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 785,838	\$ 621,904
Receivables		
Pledges outstanding	2,000	2,000
Grants outstanding	410,163	143,000
Other receivables	2,549	63,045
Prepaid Assets	11,210	19,716
Beneficial interest in assets held at the Community		
Foundation for Palm Beach and Martin Counties, at fair value	1,063,932	1,043,751
Property and equipment, net	5,118,493	5,302,313
Art and collections (Note 1)	-	-
Land	433,126	433,126
TOTAL ASSETS	\$ 7,827,311	\$ 7,628,855

See accompanying notes and independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
STATEMENT OF FINANCIAL POSITION
As of September 30, 2020 and 2019

	2020	2019
LIABILITIES		
Accounts payable and accrued expenses	\$ 55,402	\$ 49,050
Advance on programming grant	65,000	-
Mortgage	252,274	276,290
	372,676	325,340
NET ASSETS		
Without donor restrictions		
Undesignated	5,965,703	6,058,034
Board designated – endowment	1,063,932	1,043,751
With donor restrictions	425,000	201,730
	7,454,635	7,303,515
TOTAL NET ASSETS	7,454,635	7,303,515
TOTAL LIABILITIES AND NET ASSETS	\$ 7,827,311	\$ 7,628,855

See accompanying notes and independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
State & Local Government	\$ 828,017	\$ -	\$ 828,017
Foundation/Grants	774,565	425,000	1,199,565
Contributions/Donations	6,295	-	6,295
Programming	27,120	-	27,120
Special events	361,034	-	361,034
Board contributions	69,511	-	69,511
Other income	14,697	-	14,697
Net assets released from donor restrictions	201,730	(201,730)	-
TOTAL SUPPORT	2,282,969	223,270	2,506,239
Expenses:			
Program services	2,018,797	-	2,018,797
Supporting services:			
Management and general	105,788	-	105,788
Fundraising	230,535	-	230,535
TOTAL EXPENSES	2,355,119	-	2,355,119
INCREASE (DECREASE) IN NET ASSETS	(72,150)	223,270	151,120
NET ASSETS AT BEGINNING OF YEAR	7,101,785	201,730	7,303,515
NET ASSETS (DEFICIT) AT END OF YEAR	\$ 7,029,635	\$ 425,000	\$ 7,454,635

See accompanying notes and independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
State & Local Government	\$ 594,873	\$ -	\$ 594,873
Foundation/Grants	397,433	193,730	591,163
Contributions/Donations	37,716	8,000	45,716
Programming	67,438	-	67,438
Special events	556,900	-	556,900
Board contributions	59,250	-	59,250
Other income	33,009	-	33,009
Net assets released from donor restrictions	242,069	(242,069)	-
TOTAL SUPPORT	1,988,688	(40,339)	1,948,349
Expenses:			
Program services	1,800,684	-	1,800,684
Supporting services:			
Management and general	91,043	-	91,043
Fundraising	255,965	-	255,965
TOTAL EXPENSES	2,147,692	-	2,147,692
INCREASE (DECREASE) IN NET ASSETS	(159,004)	(40,339)	(199,343)
NET ASSETS AT BEGINNING OF YEAR	7,260,789	242,069	7,502,858
NET ASSETS (DEFICIT) AT END OF YEAR	\$ 7,101,785	\$ 201,730	\$ 7,303,515

See accompanying notes and independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2020

	<u>Total</u>	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>
Program expenses	\$ 469,835	\$ 469,835	\$ -	\$ -
Special events	110,207	-	-	110,207
Dues and subscriptions	8,817	353	7,318	1,146
Professional and Consulting	115,530	100,511	8,087	6,932
Development	10,712	9,073	-	1,639
Insurance	29,581	25,735	2,071	1,775
Taxes, licenses & permits	2,843	2,473	199	171
Office expense	36,732	31,957	2,571	2,204
Equipment rental	7,981	6,943	559	479
Property taxes	4,012	3,490	281	241
Repairs & maintenance	96,784	84,203	6,775	5,806
Payroll	1,118,936	984,663	55,947	78,326
Employee Benefits	100,101	88,089	5,005	7,007
Travel	1,877	1,652	94	131
Utilities	33,345	29,011	2,333	2,001
Interest expense	9,501	8,266	665	570
Total expense before depreciation	<u>2,156,794</u>	<u>1,846,254</u>	<u>91,905</u>	<u>218,635</u>
Depreciation & amortization	<u>198,325</u>	<u>172,543</u>	<u>13,883</u>	<u>11,900</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,355,119</u>	<u>\$ 2,018,797</u>	<u>\$ 105,788</u>	<u>\$ 230,535</u>

See accompanying notes and independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2019

	<u>Total</u>	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>
Program expenses	\$ 494,366	\$ 494,366	\$ -	\$ -
Special events	147,702	-	-	147,702
Dues and subscriptions	6,683	267	5,547	869
Conference/Workshops	-	-	-	-
Professional and Consulting	116,288	101,171	8,140	6,977
Development	5,599	5,293	-	306
Insurance	17,469	15,198	1,223	1,048
Taxes, licenses & permits	7,071	6,152	495	424
Office expense	34,237	29,960	2,303	1,974
Equipment rental	9,105	7,922	637	546
Property taxes	3,396	2,954	238	204
Repairs & maintenance	61,188	53,234	4,283	3,671
Payroll	873,571	768,742	43,679	61,150
Employee Benefits	68,044	59,879	3,402	4,763
Travel	590	519	30	41
Utilities	34,982	30,434	2,449	2,099
Interest expense	11,529	10,030	807	692
Other Expense	10,057	704	603	8,750
Total expense before depreciation	<u>1,901,877</u>	<u>1,586,825</u>	<u>73,836</u>	<u>241,216</u>
Depreciation & amortization	<u>245,815</u>	<u>213,859</u>	<u>17,207</u>	<u>14,749</u>
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 2,147,692</u></u>	<u><u>\$ 1,800,684</u></u>	<u><u>\$ 91,043</u></u>	<u><u>\$ 255,965</u></u>

See accompanying notes and independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
STATEMENT OF CASH FLOWS
For the Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase /Decrease in Net Assets:	\$ 151,120	\$ (199,343)
Adjustments to reconcile net cash provided by operating activities:		
Depreciation/Amortization	198,325	245,815
Endowment net investment (gain)/loss	(54,529)	(20,087)
(Increase)/decrease in operating assets:		
Grants and pledges outstanding	(206,667)	(25,045)
Prepaid expenses	8,506	52,284
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued expenses	6,352	(26,535)
Advances on programming grant	65,000	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>168,107</u>	<u>27,089</u>
CASH FLOWS (USED)/PROVIDED BY INVESTING ACTIVITIES:		
Purchase of Furniture & Equipment	(14,505)	(28,154)
Grant from endowment earnings	46,260	-
Transfers to endowment	(11,912)	-
NET CASH (USED) BY INVESTING ACTIVITIES	<u>19,843</u>	<u>(28,154)</u>
CASH FLOWS (USED)/PROVIDED BY FINANCING ACTIVITIES:		
Principal payments on debt – Mortgage	(24,016)	(33,574)
NET CASH (USED) BY FINANCING ACTIVITIES	<u>(24,016)</u>	<u>(33,574)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>163,934</u>	<u>(34,639)</u>
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	621,904	656,543
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 785,838</u>	<u>\$ 621,904</u>
Supplemental Disclosure and Non-cash Investing and Financing Activity:		
Interest Paid	9,501	3,396
Noncash investment gain on endowment fund	64,848	(30,144)
Noncash investment expenses incurred	10,319	10,057

See accompanying notes and independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

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 advancements in tax supported public education. 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. The Organization operates in a facility in the Northwood Section of the city of West Palm Beach. This location provides classrooms, meeting areas, rehearsal space, labs, theatre, and an art gallery, positioning the Organization to develop exceptional resources for arts and education extended to both students and the community.

The Organization carries out its mission through the following programs:

Creative Arts Designed to Reinforce Education (CADRE)

Serving nearly 7,500 K-5 students through afterschool programming in recreation centers, churches, and other community sites across Palm Beach County. CADRE provides an interactive, supportive and safe learning environment in 40 out-of-school locations. Funding for this program comes from Prime Time of Palm Beach County, which receives significant funding from the Children’s Services Council of Palm Beach County. Prime Time also supports our Art of Science initiative that serves roughly 300 students. This is a collaborative effort between South Florida Science Center and Aquarium (SFSCA) based on STEAM (Science, Technology, Engineering, Art and Math) activities.

Arts for Literacy

This is in-school programming currently serving approximately 1,000 students in 54 kindergarten, first and second grade classrooms. The program is aligned with the School District of Palm Beach County’s goal of 75% of students reading on grade level by third grade. Teaching artists work in collaboration with classroom teachers each week throughout the school year.

See independent auditors’ report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

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

Digital Literacy

The Digital Literacy program develops middle and high school students' abilities to design communication across the fluid digital formats of film, photography, video, audio, and interactive media. Creatively, students employ the elements of space, time, light, motion, color, and sound to develop their perspectives and voices. This program has three strands, A Sense of Place, Designing PSAs, and Global Vision through Digital Media, which seeks to broaden students' understanding of the digital world so they can adapt to changing technology with confidence.

Northwood Academy Summer Camp

In response to the need for summer camps to open during a pandemic and allow parents to go back to work, the Organization opened 10-week academic summer camp program. This also provided a solution for students who were most at risk and already behind academically with the goal of covering lessons using the district's scope and sequence that was left unfinished because of the shutdown of public schools in Palm Beach County due to the COVID-19 pandemic. The model was designed to use certified teachers supported by professional teaching artists to employ curriculum infused with the arts.

Northwood Academy Afterschool

The Organization's innovative response to the third-grade illiteracy crisis in Palm Beach County is to use out-of-school time to build an afterschool program in order to accelerate student learning and by using an arts-integrated teaching model. This model allows the Organization to take control of the entire learning environment and provide students 10 hours/week of literacy instruction and reading recovery support that are aligned with the scope and sequence of the district curriculum.

Strategic Planning

In 2019, the Organization completed a year-long strategic planning process facilitated by the De Voss Institute for Arts Management based at the University of Maryland. The timing of the development of this new strategic process was intentional and required that the organization be in a well-established position within the community and with their donors. The Organization has determined that all new initiatives must yield highly successful results based on their operational and programmatic performance objectives. The Plan is in line with the past 25 years of success and continues to ensure the organization operates within the intention of their charter.

See independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

(continued)

Strategic Planning (continued)

The strategic plan focuses the Organization on “what does success look like” for the students they serve and for their community as well as addressing the next 10 years and maximizing impact. The Palm Beach County School District has been a partner of the Organization since its inception and has provided an excellent laboratory environment to grow and develop new and innovative programming.

Form of Organization

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 have been prepared using the accrual basis for accounting which recognizes support and revenue when earned and expenses when incurred. Net assets and changes therein are classified as follows:

- ***Net assets without donor restrictions*** – net assets not subject to donor-imposed stipulations are presently available for use by the Organization in all general operations and programming purposes at the discretion of management with oversight from the Board of Directors.
- ***Net assets with donor restrictions*** – net assets whose use is limited by donor-imposed stipulations that either expire by passage of time or by meeting the stated purpose or condition. These also include nets assets subject to donor-imposed stipulations that require they be maintained in perpetuity.

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.

See independent auditors’ report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

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

Cash and Cash Equivalents

For presentation and purposes of reporting in the *Statement of Cash Flows*, the Organization considers all highly liquid financial instruments with original maturities of three months or less and which are not held for long-term purposes to be cash equivalents.

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. There was no allowance for doubtful accounts related to pledges outstanding as of September 30, 2020 and 2019.

Grants Receivable

Grants receivable consists mainly of gifts from state and local organizations and foundations, generally for the purpose of providing funds for programming, capital construction projects or general operating needs. Interest is not charged on outstanding receivables. The Organization determines the need to assess an allowance for doubtful accounts based on the timing of payments due, subsequent receipts, current economic conditions, historical experience and individual knowledge of the donor. There was no allowance for doubtful accounts related to grants receivable as of September 30, 2020 and 2019.

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.

See independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

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

Investments and Fair Value Measurement *(continued)*

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.

The organization transferred its board designated endowment monies into a beneficial interest in assets 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 asset 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 revenues without donor restrictions in the accompanying statement of activities.

See independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

(continued)

Property and Equipment

Purchased property and equipment additions are recorded at cost, or if donated, at estimated fair value on the date of receipt. Donated assets are reported as contributions without donor restriction, in the statement of activities unless the donor has imposed restrictions on the donated asset for a specific purpose. Assets donated with donor-imposed restrictions or cash contributed with the stated purpose of acquiring or constructing property and equipment are reported as contributions with donor restriction. Assets with temporary donor restrictions are released from restriction when the donated, acquired or constructed assets are placed in service. Land is carried at cost.

The Organization capitalizes long-term property and equipment additions over \$1,500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three (3) to thirty (30) years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed in the period incurred.

Art and Collections

The Organization holds various pieces of art created by local artists, with an estimated value of \$47,500. The Organization has adopted a policy of not capitalizing art or collections in its financial statements. Accordingly, no collection items are recognized as assets, whether they are purchased or received as a donation. Purchases of collection items reduce net assets in the period when purchased. Proceeds from sales or insurance recoveries are recorded as increases in net assets when received. It is the policy of the Organization that proceeds from the sale of any donated collection items are to be used to purchase additional collection items. No items were purchased for or removed from the collection during the years ended September 30, 2020 and 2019.

See independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

(continued)

Revenue Recognition

Transfers of cash or other assets that are both voluntary and nonreciprocal are recognized as contributions. Contributions may be either conditional or unconditional. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on performance of an activity and other stipulations related to the contribution, as well as a right of return. Assets received before the barrier is overcome are accounted for as refundable advances. Contributions not bound by donor-imposed barriers are considered to be available for unrestricted use.

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 restrictions and are reported in the statement of activities as net assets released from donor 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 net assets without donor restrictions. All promises to give for capital construction purposes are accounted for as capital campaign revenue and considered to be support with donor restrictions since these amounts represent promises to give with a specific purpose intended. Once the construction project is placed in service, all related net assets with donor restrictions are reclassified as net assets without donor restrictions.

The Organization receives various grants from state, local and private agencies for program and supporting service expenses. 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 revenues and support not subject to donor restrictions. Any amounts collected in advance of incurring specified costs are reflected as deferred revenue.

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

See independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

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

Revenue Recognition *(continued)*

Special events revenue is comprised of both contribution and exchange elements based upon the direct benefits donors receive and their stated intentions. Ticket and auction-type revenues are recognized based upon the fair value and timing of the direct benefit received in the form of the event taking place or the item/service acquired during the exchange transaction. The contribution elements of the special event, such as pledges, cash contributions and sponsorships that do not contain an exchange element, are recognized immediately, unless there is a barrier to performance or right of return.

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.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis amongst its various programs and support services. Expenditures which can be directly identified with a specific program or service are allocated directly, according to their natural expenditure classification. Costs that are common to multiple functions are allocated among program and support services based on estimates made by Management or direct costs when identifiable. The costs that are commonly allocated include office expenses, information technology, insurance, utilities and rent, which are allocated based on estimates of time, usage or square footage.

See independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

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 is, however, subject to federal income tax on any unrelated business income. Management has determined that the Organization has no unrelated business income during the years ended September 30, 2020 and 2019 and believes it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status. The Organization's information returns are subject to examination, generally for three years after the filing date.

Advertising and Promotion

The Organization follows the policy of charging the costs of advertising and promotion to expense as incurred. Advertising and promotional expense totaled \$6,002 and \$10,438 for the years ended September 30, 2020 and 2019, respectively, included in various expense accounts in the statement of functional expenses.

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, 2020 and 2019, the Organization's cash balances held at financial institutions exceeding FDIC limits totaled \$426,672 and \$370,768, respectively. The Organization maintains its cash accounts with large highly reputable institutions and has not historically experienced any losses and believes it is not exposed to significant credit risk on cash and cash equivalents.

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.

See independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

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

Board-Designated Endowment Funds

The Board of Directors has designated a portion of its net assets without donor restrictions for future operating expenditures 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. To achieve these goals, the Board has specified that board designated additions and earnings not subject to donor restrictions from the fund be retained and reinvested, except upon approval of the Board, whose approval shall allow the funds to be used for the operations of the Organization.

Net Assets

Net assets without donor restrictions are presently available for use by the Organization at the discretion of management with oversight from the Board of Directors. Net assets with temporary donor restrictions are expendable only for purposes and/or during time periods specified by the donor. Net assets with permanent donor restrictions 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.

New Accounting Pronouncements

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 update provides guidance in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as an exchange (reciprocal) transaction and determining whether a contribution is condition or not. The adoption of this update in the current financial statements had no effect on the Organization's financial position and changes in net assets.

See independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

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

New Accounting Pronouncements *(continued)*

In February 2016, the FASB issued ASU 2016-02, *Leases*. The ASU will require all leases to be recognized on the statement of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. The guidance is effective for years beginning after December 15, 2021, including interim periods within those years. Management is currently evaluating the effects the update will have on its financial statements.

In May 2014, the FASB issued ASU 2014-19, Revenue from Contracts with Customers (Topic 606), (ASU 2014-19), which amends the FASB Accounting Standards Codification by superceding the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and in most industry-specific topics. The ASU is effective for years beginning after December 15, 2019. Management is currently evaluating the effects the update will have on its financial statements.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications have no impact on previously reported net assets.

See independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – PROMISES TO GIVE

Promises to give consist of the following as of September 30:

	<u>2020</u>	<u>2019</u>
Promises with donor restrictions:		
Time/purpose restricted grants/foundations	\$ 400,000	\$ 201,730
Promises without donor restrictions:		
Grants/Foundations	12,164	6,315
Other	2,549	-
Total	<u>\$ 414,713</u>	<u>\$ 208,045</u>
Pledges and grants receivable within one year	\$ 114,713	\$ 208,045
Pledges and grants receivable within two to five years	300,000	-
Total	<u>\$ 414,713</u>	<u>\$ 208,045</u>

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.

See independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – INVESTMENTS

Investments are comprised of the following as of September 30, 2020 and 2019, stated at fair value.

	2020	
	<u>Cost</u>	<u>Fair Value</u>
Beneficial Interest in Assets held at the Community Foundation for Palm Beach and Martin Counties	\$ 942,597	\$ 1,063,932
Total	<u>\$ 942,597</u>	<u>\$ 1,063,932</u>
	2019	
	<u>Cost</u>	<u>Fair Value</u>
Beneficial Interest in Assets held at the Community Foundation for Palm Beach and Martin Counties	\$ 930,685	\$ 1,043,751
Total	<u>\$ 930,685</u>	<u>\$ 1,043,751</u>

The Organization’s investment income consists of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	-	-
Disbursements from income	(46,260)	-
Net unrealized gain/(loss)	64,848	30,144
Investment fees	(10,319)	(10,057)
Total	<u>\$ 8,269</u>	<u>\$ 20,087</u>

See independent auditors’ report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – FAIR VALUE MEASUREMENTS

The following tables summarize the valuation of the organization’s financial assets measured and recorded at fair value on a recurring basis as of September 30, 2020 and 2019, based on the level of input utilized to measure fair value:

Fair value measurements at September 30, 2020

	Level 1	Level 2	Level 3	Total
Beneficial Interest in Assets (a)	-	-	1,063,932	1,063,932
Total	\$ -	-	\$ 1,063,932	\$ 1,063,932

Fair value measurements at September 30, 2019

	Level 1	Level 2	Level 3	Total
Beneficial Interest in Assets (a)	-	-	1,043,751	1,043,751
Total	\$ -	-	\$ 1,043,751	\$ 1,043,751

The table below sets forth a summary of changes in the fair value of the organization’s Level 3 assets as of September 30:

	2020	2019
Beginning Fair Value	\$ 1,043,751	\$ 1,023,664
Purchase of investments	11,912	-
Realized/unrealized gains	64,848	30,144
Disbursements out of earnings	(46,260)	-
Investment fees paid out of acct	(10,319)	(10,057)
Ending Fair Value	\$ 1,063,932	\$ 1,043,751

See independent auditors’ report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – FAIR VALUE MEASUREMENTS (continued)

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

- (a) Shares in the beneficial interest in assets held at the Community Foundation for Palm Beach and Martin Counties 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 estate, 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 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30:

	2020	2019
Buildings	\$ 5,998,505	\$ 5,998,505
Instruments & program equipment	21,752	21,752
Furniture, electronics & equipment	634,653	620,148
Leaseholds	49,004	49,004
Less: Accumulated depreciation/amortization	(1,585,421)	(1,387,096)
Total, Net Depreciable Assets	5,118,493	5,302,313
Land	433,126	433,126
Total, Net Property and Equipment	\$ 5,551,619	\$ 5,735,439

Depreciation and amortization expense for the periods ended September 30, 2020 and 2019, was \$198,325 and \$245,815, respectively. There were no capitalized interest costs.

See independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – OPERATING LEASE AGREEMENTS

The Organization rents certain office equipment under month-to-month operating leases totaling \$7,981 and \$9,105, as of September 30, 2020 and 2019, respectively, renewable on an annual basis.

NOTE 7 – LINE OF CREDIT

The Organization holds 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. During the years ended September 30, 2020 and 2019, no funds were drawn against the line of credit.

NOTE 8 – LONG TERM DEBT

Long-term debt consists of the following:

Mortgage totaling \$350,000 on principal place of business with a financial institution payable in monthly principal installments of \$3,461 including interest at 3.5% through June 30, 2027 at which time a balloon payment of the remaining principal comes due.

Principal payments due for each of the 5 years subsequent to September 30, 2020, are as follows:

2021	\$	33,336
2022		34,521
2023		35,749
2024		37,021
2025		38,337
2026 and beyond		<u>73,310</u>
Total debt outstanding	\$	<u>252,274</u>

See independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – DONATED SERVICES, MATERIALS, AND FACILITIES

Donated services from artists are not generally recognized because the amounts are typically immaterial. Other donated items typically include program equipment and supplies. Donated items or in-kind donations of significant value, when received, are recorded as contribution support without donor restrictions with a corresponding charge to the appropriate programming or office expense account. There were donated services of \$5,000 and \$0, for the years ended September 30, 2020 and 2019, respectively, and no materials or facilities for the same periods.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions generally consist of funds and promises-to-give that have been allocated to capital projects, provided for future programming or are to be paid over a stated period of time. During the years ended September 30, 2020 and 2019, \$201,730 and \$242,069, respectively, was released from restriction.

The breakdown of net assets with donor restrictions is as follows:

	<u>2020</u>	<u>2019</u>
Time restricted grants and pledges for future programming (to be provided within one year)	\$ 125,000	\$ 201,730
Time restricted grants and pledges for future programming (to be provided in 2 or more years)	300,000	-
Total net assets with donor restrictions	<u>\$ 425,000</u>	<u>\$ 201,730</u>

NOTE 11 – 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 board established spending policy allows for only a portion of annual earnings in the endowment account to be available for distribution each year.

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CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – ENDOWMENT NET ASSETS *(continued)*

Endowment net asset composition by source as of September 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Board designated - additions	942,597	930,685
Net earnings on endowment	121,335	113,066
Total net asset, unrestricted	<u>\$ 1,063,932</u>	<u>\$ 1,043,751</u>

Changes in endowment net assets for the years ended September 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	1,043,751	1,023,664
Contributions	11,912	-
Distributions from earnings	(46,260)	-
Investment gains (losses)	64,848	30,144
Philanthropic fees	(10,319)	(10,057)
Endowment net assets, end of year	<u>\$ 1,063,932</u>	<u>\$ 1,043,751</u>

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Pay Down of Debt

The Organization holds a mortgage with a financial institution, with outstanding balances of \$252,274 and \$276,290 as of September 30, 2020 and 2019, respectively. The loan is due and payable in monthly payments through June 2027, with interest at 3.5%.

See independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – COMMITMENTS AND CONTINGENCIES *(continued)*

Grant from the State of Florida

In October 2015, the Organization received a \$500,000 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. A second grant totaling \$400,000 was received from the State of Florida in 2015/2016, which included a second restrictive covenant, extending the restrictions on use of the building through 2026.

NOTE 13 – LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 8 months operating costs. The purpose of cash reserves held in certain bank accounts and the endowment fund is to ensure the business can continue operations uninterrupted.

The following table reflects the Organization’s liquid financial assets that are available within one year as of September 30, 2020 and 2019, to fund general expenditures and other obligations as they become due.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 760,838	\$ 621,904
A/R and other current receivables	2,549	63,045
Pledges and grants outstanding	12,163	145,000
Endowment fund	1,063,932	1,043,751
	<u>\$ 1,839,482</u>	<u>\$ 1,873,700</u>

See independent auditors’ report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 14 – RELATED PARTY TRANSACTIONS

The Organization has business accounts at PNC bank and First Republic bank. 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. The Organization also receives in-kind services from time to time from other board members such as legal and consulting services. When these transactions occur, the in-kind donation is recorded as a contribution with a corresponding expense recorded against the service type provided, in accordance with accounting policies and procedures.

NOTE 15 – SUBSEQUENT EVENTS

Management’s Assessment

Subsequent events have been evaluated through February 18, 2021, the date which the financial statements were available to be issued.

Charity Navigator Public Not-For-Profit Rating

Charity Navigator (the “agency”) is one of the nation’s largest and most-utilized evaluators of charities. The agency evaluates more than 9,000 charitable organizations in the United States utilizing a rating system that examines both Financial Health and Accountability & Transparency. The ratings system, 1-star (*) to 4-stars (****), indicates how efficiently a charity has been determined to use their support, how well it has sustained its programs and services over time, and their level of commitment to good governance according to the agency’s evaluation criteria. In 2020, for the fifth year in a row, the Center for Creative Education received a 4-star rating. CCE also received a 100% perfect score for its “Accountability and Transparency”. This achievement is something that only 75 other charities have attained; and only 3 charities have earned this honor in the category of education. This perfect score identifies CCE as fiscally responsible and is an indicator that the Organization adheres to sector best practices and executes its mission in a financially efficient way.

See independent auditors’ report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 15 – SUBSEQUENT EVENTS *(continued)*

Foundations School

The strategic planning process that began in 2019 called for the Organization to challenge itself to increase the impact of its work and to envision what success would like for education moving into the future. The Organization developed a plan to create and open a demonstration school which is a primary or secondary school operated in association with a university, college, or other teacher education institution used for the training of future teachers, educational experimentation, educational research and professional development. The original goal was to open the school in 2024.

In 2020, as the Coronavirus Pandemic changed everyone’s lives and schools were shutdown, students were transitioned to remote learning models. The Organization rose to the challenge of providing alternative quality educational avenues for its students and moved to jumpstart their original timeline for opening the school. In partnership with Palm Beach Atlantic University, Florida Atlantic University and Palm Beach State College, the Foundations School was created and began classes on January 4, 2021.

See independent auditors’ report.