

CENTER FOR CREATIVE EDUCATION, INC.
FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED
SEPTEMBER 30, 2013

CENTER FOR CREATIVE EDUCATION, INC.
FINANCIAL STATEMENTS
For the Twelve Months Ended September 30, 2013

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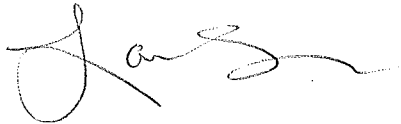
INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of the Center for Creative Education, Inc. (a non-profit organization) for the twelve months ended September 30, 2013, and the related statement of activities, functional expenses, and cash flows for the same period then ended. These financial statements are the responsibility of the Center for Creative Education, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2013, and the changes in its net 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

February 26, 2014

CENTER FOR CREATIVE EDUCATION, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2013

ASSETS

**For the Twelve
Months Ended
September 30, 2013**

Current Assets:

Cash and cash equivalents	\$ 67,731
Long-term certificate of deposit	683
Receivable:	
Pledges outstanding	361,670
Grants outstanding	<u>166,969</u>

Total current assets 597,053

Noncurrent and grants assets:

Pledges and grants outstanding, less current portion	70,000
Property and equipment (net of accumulated depreciation)	3,859,013
Land	433,126
Works of art	<u>7,500</u>

Total noncurrent asset 4,369,639

TOTAL ASSETS \$ 4,966,692

See accompanying notes and independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2013

LIABILITIES

**For the Twelve
Months Ended
September 30, 2013**

Current Liabilities:

Accounts payable and accrued expenses	\$ 19,768
Line of credit	48,973
Current portion of construction loan	<u>24,000</u>
Total current liabilities	92,741

Long-Term Liabilities:

Construction loan	<u>394,559</u>
Total long-term liabilities	

TOTAL LIABILITIES	<u>487,300</u>
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NET ASSETS

Unrestricted	4,479,392
Temporarily restricted	<u>-</u>

TOTAL NET ASSETS	<u>4,479,392</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,966,692</u>
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See accompanying notes and independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
STATEMENT OF ACTIVITIES
For the Twelve Months Ended September 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support:			
Pledges	\$ -	\$ -	\$ -
Foundation grants	350,122	-	350,122
Primetime Palm Beach	584,601	-	584,601
Local governmental grants	112,000	-	112,000
Contributions	117,138	-	117,138
Special events	140,172	-	140,172
Board contributions	750	-	750
Other	1,709	-	1,709
Net assets released from restriction	<u>1,831,748</u>	<u>(1,831,748)</u>	<u>-</u>
 TOTAL SUPPORT	 3,138,240	 (1,831,748)	 1,306,492
Expenses:			
Program services	822,792	-	822,792
Supporting services:			
Management and general	202,702	-	202,702
Fund raising	<u>141,825</u>	<u>-</u>	<u>141,825</u>
 TOTAL EXPENSES	 <u>1,167,319</u>	 <u>-</u>	 <u>1,167,319</u>
 INCREASE (DECREASE) IN NET ASSETS	 1,970,921	 (1,831,748)	 139,173
 NET ASSETS AT BEGINNING OF YEAR	 <u>2,508,471</u>	 <u>1,831,748</u>	 <u>4,340,219</u>
 NET ASSETS (DEFICIT) AT END OF YEAR	 <u>\$ 4,479,392</u>	 <u>\$ -</u>	 <u>\$ 4,479,392</u>

See accompanying notes and independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Twelve Months Ended September 30, 2013

	<u>Total</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>
Artist fees	\$ 395,952	\$ 395,952	\$ -	\$ -
Artist supplies	53,119	53,119	-	-
Special events	67,208	-	-	67,208
Accounting	11,900	-	11,900	-
Disposal of assets	19,406	-	19,406	-
Depreciation	59,326	36,426	22,900	-
Insurance	60,225	38,543	13,250	8,432
Interest	19,604	-	19,604	-
Taxes, licenses and permits	5,151	2,576	2,575	-
Occupancy (rent)	27,000	17,280	5,940	3,780
Office expense	23,284	6,985	11,642	4,657
Payroll and benefits	364,734	233,430	80,241	51,063
Public relations	22,000	22,000	-	-
Repair and maintenance	5,676	-	5,676	-
Phone and utilities	19,590	12,538	4,310	2,742
Equipment rental	<u>13,144</u>	<u>3,943</u>	<u>5,258</u>	<u>3,943</u>
TOTAL	<u>\$ 1,167,319</u>	<u>\$ 822,792</u>	<u>\$ 202,702</u>	<u>\$ 141,825</u>

See accompanying notes and independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
STATEMENT OF CASH FLOWS
For the Twelve Months Ended September 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase (Decrease) in Net Assets	\$ 139,173
Adjustments to reconcile decrease in net cash provided by operating activities:	
Depreciation	59,326
Gain/Loss on sale and disposal of assets	(28,592)
Donated furniture and art included in contributions	(12,250)
Contributions for capital construction	(260,000)
(Increase)/decrease in operating activities:	
Collection of pledges outstanding	853,272
Increase in grants outstanding	(101,088)
Decrease in accounts payable and accrued expenses	(24,182)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>625,659</u>

CASH FLOWS (USED)/ PROVIDED BY INVESTING ACTIVITIES

Proceeds from sale of assets	844
Payments for property, equipment and capital construction	(1,000,281)
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(999,437)</u>

CASH FLOWS (USED)/PROVIDED BY FINANCING ACTIVITIES

Contributions for Capital Construction	260,000
Payments on debt – Bank of America	(25,242)
Payments on line of credit	(4,596)
Borrowings on line of credit	4,025
NET CASH (USED) BY FINANCING ACTIVITIES	<u>234,187</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(139,591)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	\$ <u>207,322</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ <u><u>67,731</u></u>

SUPPLEMENTAL DISCLOSURES AND NONCASH ACTIVITIES

Interest expense (net of capitalized amounts)	\$ <u><u>19,604</u></u>
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See accompanying notes and independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Twelve Months Ended September 30, 2013

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.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Twelve Months Ended September 30, 2013

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.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Twelve Months Ended September 30, 2013

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. Future grants or contributions given to complete additional phases of the project will be 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.

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.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Twelve Months Ended September 30, 2013

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 initial construction of the new building, certain functional expenses were allocated and capitalized to the capital construction account on the balance sheet as allowable during pre-construction and construction phases of project implementation. This amount included \$84,579 of salaries and \$23,791 of other operating expenses for the twelve-month period ended September 30, 2012. The capitalized expenditures represent time and costs attributable to the construction project during the construction phase. In 2013, the building was placed in service. Accordingly, management did not elect to allocate further 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.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Twelve
Months Ended September 30, 2013

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.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Twelve Months Ended September 30, 2013

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 \$22,000.

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, 2013, 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:

	<u>September 30, 2013</u>
Unrestricted promises:	
Contributions to building campaign released from restriction	\$ 361,670
Foundation grants	185,000
State and local grants	<u>51,969</u>
TOTAL	<u>\$ 598,639</u>
 Pledges and grants receivable within one year	 \$ 528,639
Pledges and grants receivable within two to five year	<u>70,000</u>
TOTAL	<u>\$ 598,639</u>

See independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Twelve Months Ended September 30, 2013

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 is in the process of contacting donors and assessing individually all remaining pledges outstanding in the current year for collectability. As current year collections have been significant with 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, 2013, approximately 45% of funding came from this source.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>September 30, 2013</u>
Buildings	\$ 1,183,964
Program equipment	15,123
Office, furniture and equipment	127,008
Phase I building renovation	<u>2,851,372</u>
	4,177,467
Less: Accumulated depreciation	<u>(318,454)</u>
	3,859,013
Art	7,500
Land	<u>433,126</u>
TOTAL	<u><u>\$ 4,299,639</u></u>

See independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Twelve Months Ended September 30, 2013

NOTE 4 – PROPERTY AND EQUIPMENT *(continued)*

Depreciation expense for the period ended September 30, 2013, was \$59,326. There were no interest costs capitalized to “Unamortized interest and loan costs” during the year ended September 30, 2013.

NOTE 5 – OPERATING LEASE AGREEMENTS

The Organization rents certain office equipment under month-to-month operating leases totaling \$13,144, renewable on an annual basis.

NOTE 6 – CONSTRUCTION LOAN AND LINE OF CREDIT

In 2008, the Organization secured a construction loan with Bank of America for the renovation of the warehouse in West Palm Beach, Florida (the “Capital Campaign Project”). As of September 30, 2013, the balance on the loan totals \$ 418,559. The loan is due and payable in full on January 31, 2015, with interest accruing at a floating rate of LIBOR plus 2.75. Interest paid totaled \$12,051 for the year.

Additionally, 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, 2013, the balance drawn on this line is \$48,973, set to expire March 5, 2015.

NOTE 7 – DONATED SERVICES, MATERIALS, AND FACILITIES

Donated services from artists are not generally recognized because the amounts are typically immaterial. For the nine-month period of October 2012 thru July 2013, the Organization received occupancy of their temporary administrative offices rent free totaling \$27,000 from PNC Bank. The value of the free rent is included as unrestricted support with a corresponding charge to rent expense.

See independent auditors’ report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Twelve Months Ended September 30, 2013

NOTE 8 – 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. Net assets released from restriction by incurring expenses satisfying the restrictions and placing in service Phase I of the construction project totaled \$1,831,748. There were no new restricted sources of support recorded in the current year.

The breakdown of assets released from restriction is as follows:

Purchases of furniture and equipment for the building	\$ 77,069
Current year construction	923,212
Pay down of debt, Bank of America	25,242
Release of previously restricted assets for use in capital construction	<u>806,225</u>
	<u>\$ 1,831,748</u>

NOTE 9 – 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 10 – 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.

See independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Twelve Months Ended September 30, 2013

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Pay Down of Debt

The Organization holds a construction loan with Bank of America, with an outstanding balance of \$418,559 at September 30, 2013. The loan is due and payable in full on January 31, 2015, with interest at a floating rate of LIBOR plus 2.75.

Lines of Credit- Due on Demand

At September 30, 2013, the Organization held a balance of \$48,973 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, 2014.

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.

See independent auditors' report.

CENTER FOR CREATIVE EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Twelve Months Ended September 30, 2013

NOTE 12 – 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 February 26, 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.