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October 4, 2010

INDEPENDENT AUDITORS' REPORT

Board of Directors
Cypress Creek Foundation for the Arts
and Community Enrichment (A Non-Profit Corporation)
Houston, Texas

We have audited the accompanying statement of assets, liabilities and net assets - modified cash basis of Cypress Creek Foundation for the Arts and Community Enrichment (a non-profit corporation) as of June 30, 2010 and the related statements of activity, cash flows and functional expenses - modified cash basis for the year then ended. These financial statements are the responsibility of the foundation'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. 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.

As described in Note A, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Cypress Creek Foundation for the Arts and Community Enrichment (a non-profit corporation) as of June 30, 2010 and its activity for the year then ended, on the basis of accounting described in Note A.

Hajovsky, Jones & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CYPRESS CREEK FOUNDATION FOR THE ARTS AND COMMUNITY ENRICHMENT

(A Non-Profit Corporation)

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS

MODIFIED CASH BASIS

June 30, 2010

ASSETS

Current assets:

Cash		\$199,026
Prepaid production costs		3,715
Total current assets		<u>202,741</u>

Property & equipment:

Office furniture and equipment	\$1,872	
Less accumulated depreciation	<u>1,872</u>	<u>0</u>

Total assets \$202,741

LIABILITIES AND NET ASSETS

Current liabilities:

Deferred revenue - ticket sales		\$60,168
Total current liabilities		<u>60,168</u>

Net assets:

Unrestricted		70,979
Temporarily restricted		71,594
Total net assets		<u>142,573</u>

Total liabilities and net assets \$202,741

The accompanying notes and accountants' report are an integral part of these financial statements.

CYPRESS CREEK FOUNDATION FOR THE ARTS AND COMMUNITY ENRICHMENT

(A Non-Profit Corporation)
STATEMENT OF ACTIVITY
MODIFIED CASH BASIS
For the Year Ended June 30, 2010

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Support and revenue:			
Contributions and grants	\$139,629	\$0	\$139,629
Ticket sales	262,149	0	262,149
Sponsorships	16,619	71,594	88,213
Program advertising	8,975	0	8,975
Interest	402	0	402
Other	18,572	0	18,572
Total support and revenue	<u>446,346</u>	<u>71,594</u>	<u>517,940</u>
Reclassification to unrestricted net assets	<u>67,100</u>	<u>(67,100)</u>	<u>0</u>
	<u>513,446</u>	<u>4,494</u>	<u>517,940</u>
Expenses:			
Program services:			
Production costs	336,173	0	336,173
Advertising	63,280	0	63,280
Scholarships	4,000		4,000
Total program services	<u>403,453</u>	<u>0</u>	<u>403,453</u>
Supporting services:			
Administrative	51,599	0	51,599
Fundraising	40,900	0	40,900
Total supporting services	<u>92,499</u>	<u>0</u>	<u>92,499</u>
Total expenses	<u>495,952</u>	<u>0</u>	<u>495,952</u>
Increase in net assets	17,494	4,494	21,988
Net assets - July 1, 2009	<u>53,485</u>	<u>67,100</u>	<u>120,585</u>
Net assets - June 30, 2010	<u>\$70,979</u>	<u>\$71,594</u>	<u>\$142,573</u>

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CYPRESS CREEK FOUNDATION FOR THE ARTS AND COMMUNITY ENRICHMENT

(A Non-Profit Corporation)

STATEMENT OF CASH FLOWS

MODIFIED CASH BASIS

For the Year Ended June 30, 2010

Cash provided from operating activities:	
Increase in net assets	\$21,988
Decrease in prepaid production costs	8,550
Increase in deferred revenue	4,580
Cash provided from operating activities	<u>35,118</u>
Net increase in cash	35,118
Cash balance beginning of year	<u>163,908</u>
Cash balance end of year	<u><u>\$199,026</u></u>

The accompanying notes and accountants' report are an integral part of these financial statements.

CYPRESS CREEK FOUNDATION FOR THE ARTS AND COMMUNITY ENRICHMENT

(A Non-Profit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

MODIFIED CASH BASIS

For the Year Ended June 30, 2010

	<u>Production Costs</u>	<u>Advertising</u>	<u>Administrative</u>
Artists fees	\$135,515	\$0	\$0
Miscellaneous production costs	5,173	0	0
Technical assistance	41,359	0	0
Equipment rental	12,929	0	292
Rent	26,800	0	1,750
Travel, lodging and food	11,206	0	0
Programming costs	9,570	0	0
Brochures and programs	1,721	23,947	17
Office expenses and supplies	9,579	0	2,448
Direct mail and postage	1,211	15,835	596
Media advertising	0	23,498	0
Conferences and seminars	2,008	0	0
Salaries and related taxes	61,624	0	34,167
Credit card fees	6,549	0	0
Other expenses	9,419	0	1,094
Legal and professional fees	0	0	3,080
Utilities and telephone	1,510	0	5,164
Insurance	0	0	2,991
	<u>\$336,173</u>	<u>\$63,280</u>	<u>\$51,599</u>

The accompanying notes and accountants' report are an integral part of these financial statements.

CYPRESS CREEK FOUNDATION FOR THE ARTS
AND COMMUNITY ENRICHMENT

(A Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A - Summary of Significant Accounting Policies:

Organization and Purpose -

The Cypress Creek Foundation for the Arts and Community Enrichment (Foundation) is a non-profit organization incorporated in the State of Texas in 1997 for the purpose of providing concerts and cultural events for the Harris County area. Revenue is derived primarily from ticket sales, sponsorships and program advertising.

Basis of Accounting -

The Foundation's policy is to prepare its financial statements on the modified cash basis of accounting; consequently, certain revenues are recognized when received and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

Contributed Services -

The value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Financial Statement Presentation -

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets as payments are made for the restricted purpose. The Foundation has no permanently restricted net assets.

Income Taxes -

The Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and related state statutes and is not classified by the Internal Revenue Service as a private foundation.

Property and Equipment -

Office furniture and equipment is recorded herein at cost. All assets have been fully depreciated.

CYPRESS CREEK FOUNDATION FOR THE ARTS
AND COMMUNITY ENRICHMENT

(A Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A – Summary of Significant Accounting Policies (continued):

Estimates –

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

NOTE B - Related Party Transactions:

The Foundation operates in facilities owned by Cypress Creek Christian Church and managed by Cypress Creek Christian Community Center (Center). Rental expense includes \$26,800 for performance hall rental and \$1,750 for offices, paid to the Center.

NOTE C - Functional Allocation of Expenses:

The costs of the various activities of the Foundation have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fundraising expenses include \$44,900 of direct expenses incurred by the Centrum Arts League, an official volunteer group of the Foundation. The Centrum Arts League generated \$119,025 of support and revenue and paid out \$4,000 for music scholarships, all of which is included in these financial statements.

NOTE D – Subsequent Events:

Subsequent events were evaluated through October 4, 2010, which is the date the financial statements were available to be issued.