



(A Non-Profit Corporation)
Crossville, TN

Financial Statements & Independent Auditors' Report

For the Year Ended December 31, 2022



smithmarion

	<u>Page</u>
Financial Information	
Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

- t: (615) 309-8959
- f: (909) 825-9900
- 4068 rural plains circle #180
- franklin, tn 37064



Board of Directors
Creative Compassion Inc.
Crossville, TN

Independent Auditors' Report

Opinion

We have audited the financial statements of Creative Compassion Inc., which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Creative Compassion Inc., as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Creative Compassion Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Creative Compassion Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Creative Compassion Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Creative Compassion Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

July 12, 2023

Creative Compassion Inc.

Statement of Financial Position

December 31, 2022

Assets**Current Assets**

Cash - operations	\$	12,771
Cash - housing development		202,577
Subtotal Cash and Cash Equivalents		215,348
Grants receivable		-
Assets held for sale		322,848
Total Current Assets		538,196

Non-Current Assets

Notes receivable		29,587
Forgivable loans		46,665
Capital assets (net)		26,903
Total Non-Current Assets		103,155

Total Assets**\$ 641,351****Liabilities and Net Assets****Current Liabilities**

Accounts payable	\$	1,137
Accrued expenses		8,784
Debt - current		31,609
Total Current Liabilities		41,530

Long-Term Liabilities

Debt - long-term		48,760
HAC loans payable		29,841
Total Long-Term Liabilities		78,601

Net Assets

Without donor restrictions		521,220
With donor restrictions		-
Total Net Assets		521,220
Total Liabilities and Net Assets	\$	641,351

Creative Compassion Inc.
Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Contributions	\$ 15,579	\$ -	\$ 15,579
Grant income	298,846	-	298,846
Developmental income	759	-	759
Program income (gain/(loss) on sale of houses)	58,704	-	58,704
Miscellaneous income	12,804	-	12,804
TOTAL SUPPORT AND REVENUE	386,692	-	386,692
EXPENSES			
Program services	270,678	-	270,678
Management and general	133,021	-	133,021
Fundraising	42,191	-	42,191
TOTAL EXPENSES	445,890	-	445,890
Change in Net Assets	(59,198)	-	(59,198)
Beginning net assets	580,418	-	580,418
Prior period adjustment	-	-	-
Ending Net Assets	\$ 521,220	\$ -	\$ 521,220

Creative Compassion Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services			Support Services			Total All Services
	Home Ownership	Nehemiah Project	Total	Management and General	Fundraising	Total	
Personnel expense	\$ 59,543	\$ 15,587	\$ 75,130	\$ 55,005	\$ 37,802	\$ 92,807	\$ 167,937
Payroll tax	5,095	1,334	6,429	4,707	3,235	7,942	14,371
Total Payroll	64,638	16,921	81,559	59,712	41,037	100,749	182,308
Travel and training	2,797	-	2,797	3,900	329	4,229	7,026
Telephone and utilities	225	-	225	6,679	-	6,679	6,904
Office expense	13	-	13	6,288	-	6,288	6,301
Insurance	-	-	-	11,020	-	11,020	11,020
Professional services	170	-	170	14,327	425	14,752	14,922
Program materials	106,249	71,154	177,403	5,300	400	5,700	183,103
Maintenance and repairs	3,901	-	3,901	20,680	-	20,680	24,581
Miscellaneous	248	-	248	740	-	740	988
Interest	4,362	-	4,362	-	-	-	4,362
Debt forgiveness expense	-	-	-	-	-	-	-
Total Before Depreciation	182,603	88,075	270,678	128,646	42,191	170,837	441,515
Depreciation	-	-	-	4,375	-	4,375	4,375
Total Functional Expenses	\$ 182,603	\$ 88,075	\$ 270,678	\$ 133,021	\$ 42,191	\$ 175,212	\$ 445,890

Creative Compassion Inc.
Statement of Cash Flows
For the Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets \$ (59,198)

**Adjustments to Reconcile Change in Net Assets to Net Cash
Used by Operating Activities**

Non-Cash Items:

Depreciation	4,375
(Increase) decrease in accounts receivable	1,692
(Increase) decrease in notes receivable	6,745
Increase (decrease) in accounts payable	(14,341)
Increase (decrease) in accrued expenses	5,715

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES (55,012)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(1,080)
Proceeds from sale of assets held for sale	220,413
Purchase of additional asset held for sale	(229,804)

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES (10,471)

CASH FLOWS FROM FINANCING ACTIVITIES

Current and long-term debt payments	(43,443)
-------------------------------------	----------

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES (43,443)

Net increase (decrease) in cash	(108,926)
Beginning cash, cash equivalents, and restricted cash	324,274

Ending Cash, Cash Equivalents, and Restricted Cash \$ 215,348

Interest expense for the year amounted to:	<u><u>\$ 4,362</u></u>
--	------------------------

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Creative Compassion Inc., (CCI or the Organization) was incorporated on November 17, 1989, as a non-profit corporation in accordance with the applicable laws of the State of Tennessee. Creative Compassion Inc., is a voluntary health and welfare organization and was organized to search for, provide, or improve the living conditions of the poor, homeless, and ill-housed. Additionally, CCI provides grant writing assistance to the community.

Accounting Basis

Creative Compassion Inc., maintains its accounting records on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when the liability is incurred in accordance with Generally Accepted Accounting Principles.

Description of Programs

Home Ownership – This program includes all services related to homeownership, including new home construction, home rehabilitation and homebuyer education. The U.S. Department of Housing and Urban Development is the primary source of funding. Funds are allocated by the Tennessee Housing Development Agency (THDA) under a competitive grant system.

The Nehemiah Project – This program was started in 2009, to help very low-income homeowners whose homes are in need of emergency repairs. It provides funding for both materials and labor but utilizes resident and volunteer labor when possible. Assistance is provided in the form of “no interest” unsecured loans for the amount of the out-of-pocket costs of the repairs up to \$3,000.

General and Administrative – This provides the necessary resources to administer these programs.

Capital Assets

Expenditures for physical properties are stated at cost. Donated assets are recorded at fair market value on the date of the donation. It is CCI’s policy to capitalize assets with a cost greater than \$2,000.

Depreciation of capital assets is provided over the estimated useful lives of the respective assets on a straight-line basis over estimated useful lives:

Buildings	31.5 years
Office equipment	5 - 10 years
Improvements	5 years

Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Income Taxes

Creative Compassion Inc., is exempt from income taxes under Internal Revenue Code Section 501(c)(3). The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

In accordance with accounting standards, which provide accounting and disclosure guidance about uncertain tax positions taken by an Organization, management believes that all of the positions taken by the Organization in its federal and state income tax returns are more likely than not to be sustained upon examination.

The Organization files returns in the U.S. Federal Jurisdiction. The returns for tax years 2019, and beyond remain subject to examination by the Internal Revenue Service.

Contributions

Contributions received are recorded as without donor restriction or with donor restriction depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as increases in donor restriction net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction or purpose restriction is accomplished), donor restricted net assets are reclassified to without restriction net assets and reported in the statement of activities as net assets released from restrictions.

CCI records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials and services are recorded as contributions in the accompanying statements at their estimated value at the date of receipts or performance. There were also no contributed services meeting the requirements for recognition in the financial statements although, many individuals volunteer their time and perform a variety of tasks that assist CCI which is not recorded.

Functional Allocation of Expenses

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

Basis of Presentation

Creative Compassion Inc., reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The following provides an explanation of net asset categories included in the accompanying financial statements:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor- (or grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity.

Subsequent Events

Creative Compassion Inc., has evaluated subsequent events through July 12, 2023, the date on which the financial statements were available to be issued.

There were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

NOTE 02 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 215,348
Less funds subject to purpose restrictions	(202,577)
Grant receivable	-
Total	<u><u>\$ 12,771</u></u>

As part of the liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments, CDs, and Money Market funds.

NOTE 03 – Notes Receivable

The following is a schedule of Mortgage Receivable at December 31, 2022:

	Original Loan Amount	Term in Months	Monthly Payment	Interest Rate	Balance 12/31/22
1	\$ 18,749	180	\$ 104	3.00%	\$ 9,505
2	18,000	60	76	3.00%	12,134
3	<u>17,000</u>	240	94	3.00%	<u>7,947</u>
	<u><u>\$ 53,749</u></u>				<u><u>\$ 29,587</u></u>

NOTE 04 – CAPITAL ASSETS

A summary of the cost of capital assets and related accumulated depreciation for the year ended December 31, 2022:

	Balance 12/31/21	Additions	Deletions	Balance 12/31/22
Land	\$ -	\$ -	\$ -	\$ -
Buildings	50,684	-	-	50,684
Improvements	20,340	-	-	20,340
Furniture/equipment	3,185	1,080	-	4,265
Construction in progress	-	-	-	-
Accumulated depreciation	<u>(44,011)</u>	<u>(4,375)</u>	-	<u>(48,386)</u>
	<u><u>\$ 30,198</u></u>	<u><u>\$ (3,295)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 26,903</u></u>

Depreciation expense for the year ended December 31, 2022, totaled \$4,375.

NOTE 05 – NOTES PAYABLE

The Organization’s obligation under notes payable at December 31, 2022, consisted of the following:

Federation of Appalachian Housing Enterprises, Inc., Loan – On August 1, 2021, the Organization secured a note payable with of \$150,000 with an interest rate of 4.75% per annum requiring 60 monthly payments of principal and interest of \$2,813.54 originally maturing in July 2026. Based on additional loan payments made, the new maturity is July 2025. The collateral for the loan is the 8 lots at Jesse Loop purchased with the funds.

Long-term debt consisted of the following:

Beginning balance of finance arrangements,	January 1, 2022	\$	123,812
Principal payments of financing arrangements			(44,400)
	December 31,		
Beginning balance of finance arrangements,	2022	\$	79,412

Aggregate maturities of long-term debt are summarized as follows:

2023		\$	30,652
2024			32,140
2025			16,620
2026			-
2027			-
Thereafter			-
		\$	79,412

SHOP Loan – In 2001, the Organization began receiving SHOP loans from the Housing Assistance Council (HAC). These loans are for the purpose of financing, in part, the construction of houses. The proceeds of the loans are used for lot acquisition and to construct infrastructure on building sites for eligible homeowners. Upon a finding that the proceeds were expended for eligible purposes and the conditions of the loan were satisfied, and when HAC has closed out its grant agreement with HUD, HAC will make a determination to formally forgive up to 90% of the amount then due. The forgivable portion of the SHOP loan must continue to be used for SHOP-eligible purposes.

The following is a schedule which details the SHOP loan information for each SHOP loan:

	SHOP 2019		Total
Date of note:	12/31/2019		
Original amount of note:	\$ 29,841		
Maturity date:	3/13/2023		
Interest rate:	0%		
Collateral:	Deed of Trust		
Unpaid principal balance:	\$ 29,841	\$	29,841

NOTE 06 – RISKS AND UNCERTAINTIES

The Organization receives most of its funding through THDA. The program from which Creative Compassion Inc., receives its monies from THDA is funded entirely by HUD. Should the federal government decide to cut funding to this program, THDA might have to cut back or eliminate altogether the funding to Creative Compassion Inc., If this should occur, Creative Compassion Inc.'s operation could change substantially or be eliminated completely.

NOTE 07 – COMPENSATED ABSENCES

Compensated absences are used each year; therefore, no accrual has been made in the financial statement.

NOTE 08 – CONCENTRATION OF CREDIT RISK – CASH DEPOSITS

Creative Compassion Inc., maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. CCI's cash and cash equivalents accounts have been placed with high credit quality financial institutions. CCI has not experienced, nor does it anticipate, any losses with respect to such accounts. Creative Compassion Inc., maintains cash at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation. The FDIC will fully insure all funds for at least \$250,000. At year end, the Company had \$- in excess of the insured amount.

* * * *