



(A Non-Profit Corporation)
Crossville, TN

Financial Statements & Independent Auditors' Report

For the Year Ended December 31, 2021



Creative Compassion Inc.
Table of Contents
For the Year Ended December 31, 2021

	<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



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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, 2021, 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, 2021, 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.

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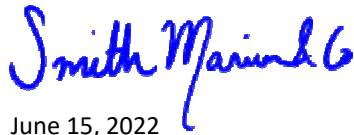
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In performing an audit in accordance with GAAS, we:

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.

A handwritten signature in blue ink that reads "Smith Martin & Co". The signature is written in a cursive, flowing style.

June 15, 2022

Creative Compassion Inc.

Statement of Financial Position

December 31, 2021

Assets**Current Assets**

Cash - operations	\$	17,141
Cash - housing development		307,133
Subtotal Cash and Cash Equivalents		<u>324,274</u>
Grants receivable		1,692
Assets held for sale		<u>269,216</u>
Total Current Assets		<u>595,182</u>

Non-Current Assets

Notes receivable		36,332
Forgivable loans		90,906
Capital assets (net)		<u>30,198</u>
Total Non-Current Assets		<u>157,436</u>

Total Assets\$ 752,618**Liabilities and Net Assets****Current Liabilities**

Accounts payable	\$	15,478
Accrued expenses		3,069
Debt - current		<u>28,499</u>
Total Current Liabilities		<u>47,046</u>

Long-Term Liabilities

Debt - long-term		95,313
HAC loans payable		<u>29,841</u>
Total Long-Term Liabilities		<u>125,154</u>

Net Assets

Without donor restrictions		580,418
With donor restrictions		-
Total Net Assets		<u>580,418</u>
Total Liabilities and Net Assets	\$	<u>752,618</u>

Creative Compassion Inc.
Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Contributions	\$ 16,267	\$ -	\$ 16,267
Grant income	373,275	-	373,275
Developmental income	1,006	-	1,006
Program income (gain/(loss) on sale of houses)	(16,185)	-	(16,185)
Miscellaneous income	23,527	-	23,527
TOTAL SUPPORT AND REVENUE	397,890	-	397,890
EXPENSES			
Program services	104,325	-	104,325
Management and general	143,572	-	143,572
Fundraising	3,364	-	3,364
TOTAL EXPENSES	251,261	-	251,261
Change in Net Assets	146,629	-	146,629
Beginning net assets	433,789	-	433,789
Prior period adjustment	-	-	-
Ending Net Assets	\$ 580,418	\$ -	\$ 580,418

Creative Compassion Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services			Support Services			Total All Services
	Home Ownership	Nehemiah Project	Total	Management and General	Fundraising	Total	
Personnel expense	\$ 46,672	\$ 3,429	\$ 50,101	\$ 76,093	\$ 2,236	\$ 78,329	\$ 128,430
Payroll tax	-	-	-	10,715	-	10,715	10,715
Total Payroll	46,672	3,429	50,101	86,808	2,236	89,044	139,145
Travel and training	2,450	-	2,450	1,885	59	1,944	4,394
Telephone and utilities	194	-	194	5,660	-	5,660	5,854
Office expense	105	-	105	5,883	7	5,890	5,995
Insurance	-	-	-	9,131	-	9,131	9,131
Professional services	348	-	348	17,295	-	17,295	17,643
Program materials	12,106	35,966	48,072	700	1,062	1,762	49,834
Maintenance and repairs	-	-	-	13,853	-	13,853	13,853
Miscellaneous	175	-	175	229	-	229	404
Interest	2,880	-	2,880	-	-	-	2,880
Debt forgiveness expense	-	-	-	-	-	-	-
Total Before Depreciation	64,930	39,395	104,325	141,444	3,364	144,808	249,133
Depreciation	-	-	-	2,128	-	2,128	2,128
Total Functional Expenses	\$ 64,930	\$ 39,395	\$ 104,325	\$ 143,572	\$ 3,364	\$ 146,936	\$ 251,261

Creative Compassion Inc.
Statement of Cash Flows
For the Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 146,629
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities	
Non-Cash Items:	
Depreciation	2,128
(Increase) decrease in accounts receivable	10,935
Increase (decrease) in accounts payable	8,592
Increase (decrease) in accrued expenses	<u>(3,055)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>165,229</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from loan receivable granted to home buyers	2,511
Proceeds from sale of assets held for sale	163,863
Purchase of additional asset held for sale	<u>(295,284)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(128,910)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Current and long-term debt proceeds	123,812
Current and long-term debt payments	<u>(67,500)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>56,312</u>
Net increase (decrease) in cash	92,631
Beginning cash, cash equivalents, and restricted cash	<u>231,643</u>
Ending Cash, Cash Equivalents, and Restricted Cash	<u><u>\$ 324,274</u></u>
Interest expense for the year amounted to:	<u><u>\$ 2,880</u></u>

Note 1 – Summary of Significant Accounting Policies

Organization

Creative Compassion Inc. (CCI) 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 2018 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 with 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 June 15, 2022, 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.

Contingent Liabilities

COVID-19: On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the orders. Management is carefully monitoring the situation and evaluating its options during this time. It is possible that this matter may negatively impact the Authority, however, the ultimate financial impact and duration cannot be estimated at this time, and no adjustments have been made to these financial statements as a result of this uncertainty.

Note 2 – 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	\$ 324,274
Less funds subject to purpose restrictions	(307,133)
Grant receivable	<u>1,692</u>
Total	<u><u>\$ 18,833</u></u>

As par of the liquidity management plan, the organization invests cash in excess of daily requirements in short-term investments, CDs and money market funds.

Note 3 – Notes Receivable

The following is a schedule of Mortgage Receivable at December 31, 2021:

	Original Loan Amount	Term in Months	Monthly Payment	Interest Rate	Balance 12/31/21
1	\$ 18,749	180	104	3.00%	\$ 10,105
2	18,000	60	76	3.00%	12,750
3	20,000	240	119	3.00%	4,639
4	<u>17,000</u>	240	94	3.00%	<u>8,838</u>
	<u><u>\$ 73,749</u></u>				<u><u>\$ 36,332</u></u>

Note 4 – Capital Assets

A summary of the cost of capital assets and related accumulated depreciation for the year ended December 31, 2021:

	Balance 12/31/20	Additions	Deletions	Balance 12/31/21
Land	\$ -	\$ -	\$ -	\$ -
Buildings	50,684	-	-	50,684
Improvements	6,568	-	-	20,340
Furniture/equipment	3,185	-	-	3,185
Construction in progress	13,772	13,722	-	-
Accumulated depreciation	<u>(41,883)</u>	<u>(2,128)</u>	-	<u>(44,011)</u>
	<u><u>\$ 32,326</u></u>	<u><u>\$ 11,594</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 30,198</u></u>

Depreciation expense for the year ended December 31, 2021 totaled \$2,128.

Note 5 – Notes Payable

The Organization’s obligation under notes payable at December 31, 2021, 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 maturing July 2026. The collateral for the loan are the 8 lots at Jesse Loop purchased with the funds.

Long-term debt consisted of the following:

Beginning balance of finance arrangements,	August 1, 2021	\$	150,000
Principal payments of financing arrangements			26,188
	December 31,		
Beginning balance of finance arrangements,	2021	\$	123,812

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

2022	\$	28,499
2023		29,882
2024		31,333
2025		32,854
2026		1,244
Thereafter		-
	\$	123,812

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 construction 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 2016	SHOP 2019	Total
Date of note:	12/31/2016	12/31/2019	
Original amount of note:	\$ 67,500	\$ 29,841	
Maturity date:	12/31/2021	3/13/2023	
Interest rate:	0%	0%	
Collateral:	Deed of Trust	Deed of Trust	
Unpaid principal balance:	\$ -	\$ 29,841	\$ 29,841

Note 6 – 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 7 – Compensated Absences

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

Note 8 – 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 \$74,724 in excess of the insured amount.

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