



Creative Compassion, Inc.

(A Non-Profit Corporation)

**Financial Statements
and
Independent Auditors' Report**

For the Year Ended December 31, 2020

	<u>Page</u>
Financial Information	
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6



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Board of Directors
Creative Compassion Inc.
Crossville, TN

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of Creative Compassion Inc., which comprises the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

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 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 auditors' 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 Creative Compassion Inc. as of December 31, 2020, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

July 8, 2021

Creative Compassion Inc.

Statement of Financial Position

December 31, 2020

Assets**Current Assets**

Cash	\$	12,081
Restricted cash		219,562
Subtotal Cash and Equivalents		<u>231,643</u>
Grants receivable		12,627
Assets held for sale		121,240
Total Current Assets		<u>365,510</u>

Non-Current Assets

Notes receivable		38,843
Forgivable loans		107,461
Capital assets (net)		32,326
Total Non-Current Assets		<u>178,630</u>

Total Assets\$ 544,140**Liabilities and Net Assets****Current Liabilities**

Accounts payable	\$	6,886
Accrued expenses		6,124
Total Current Liabilities		<u>13,010</u>

Long Term Liabilities

HAC loans payable		97,341
Total Long Term Liabilites		<u>97,341</u>

Net Assets

Without donor restriction		433,789
With donor restriction		-
Total Net Assets		<u>433,789</u>
Total Liabilities and Net Assets	\$	<u>544,140</u>

Creative Compassion Inc.

Statement of Activities

For the Year Ended December 31, 2020

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Contributions	\$ 20,145	\$ -	\$ 20,145
Grant income	286,356	-	286,356
Developmental income	1,342	-	1,342
Program income	11,478	-	11,478
Miscellaneous income	15,884	-	15,884
TOTAL SUPPORT AND REVENUE	<u>335,205</u>	<u>-</u>	<u>335,205</u>
EXPENSES			
Program services	146,831	-	146,831
Management and general	179,738	-	179,738
Fundraising	8,578	-	8,578
TOTAL EXPENSES	<u>335,147</u>	<u>-</u>	<u>335,147</u>
Change in Net Assets	58	-	58
Beginning net assets	500,988	-	500,988
Prior period adjustment	(67,257)	-	(67,257)
Ending Net Assets	<u>\$ 433,789</u>	<u>\$ -</u>	<u>\$ 433,789</u>

Creative Compassion Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services			Support Services			Total All Services
	Home Ownership	Nehemiah Project	Total	Mgt and General	Fund Raising	Total	
Personnel expense	\$ 47,529	\$ 2,600	\$ 50,129	\$ 73,600	\$ 996	\$ 74,596	\$ 124,725
Payroll tax	-	-	-	10,380	-	10,380	10,380
Total Payroll	47,529	2,600	50,129	83,980	996	84,976	135,105
Travel and training	2,507	-	2,507	2,534	96	2,630	5,137
Telephone and utilities	265	-	265	6,162	-	6,162	6,427
Office expense	65	-	65	7,412	-	7,412	7,477
Insurance	-	-	-	15,012	-	15,012	15,012
Professional services	180	-	180	13,504	-	13,504	13,684
Program materials	28,826	62,133	90,959	36,183	7,486	43,669	134,628
Maintenance and repairs	93	-	93	11,252	-	11,252	11,345
Miscellaneous	50	-	50	640	-	640	690
Interest	2,583	-	2,583	39	-	39	2,622
Debt forgiveness expense	-	-	-	-	-	-	-
Total Before Depreciation	82,098	64,733	146,831	176,718	8,578	185,296	332,127
Depreciation	-	-	-	3,020	-	3,020	3,020
Total Functional Expenses	\$ 82,098	\$ 64,733	\$ 146,831	\$ 179,738	\$ 8,578	\$ 188,316	\$ 335,147

Creative Compassion Inc.
Statement of Cash Flows
For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets \$ 58

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

Non-Cash Items:

Depreciation	3,020
(Increase) decrease in accounts receivable	15,669
Increase (decrease) in accounts payable	1,274
Increase (decrease) in accrued expenses	1,978

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES 21,999

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from loan receivable granted to home buyers	3,462
Proceeds from sale of assets held for sale	498,682
Purchase of additional asset held for sale	(308,862)
Acquisition of additional capital assets	(13,772)

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES 179,510

CASH FLOWS FROM FINANCING ACTIVITIES

Current and long term debt proceeds	46,086
Current and long term debt payments	(75,889)

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES (29,803)

Net increase (decrease) in cash 171,706

Beginning cash 59,937

Ending Cash and Cash Equivalents \$ 231,643

Interest expense for the year amounted to: \$ 2,622

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.

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

It is CCI’s policy to capitalize assets with a cost greater than \$2,000.

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.

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 2017 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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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 that resources be maintained in perpetuity.

Subsequent Events

Creative Compassion Inc. has evaluated subsequent events through July 8, 2021, 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 except the one mentioned above.

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	\$ 231,643
Less funds subject to purpose restrictions	(219,562)
Grant receivable	<u>12,627</u>
Total	<u><u>\$ 24,708</u></u>

Note 3 – Notes Receivable

The following is a schedule of Mortgage Receivable at December 31, 2020:

	Original Loan Amount	Term in Months	Monthly Payment	Interest Rate		Balance 12/31/20
1	\$ 18,749	180	104	3.00%	\$	10,747
2	18,000	60	76	3.00%		13,336
3	20,000	240	119	3.00%		5,053
4	<u>17,000</u>	240	94	3.00%		<u>9,707</u>
	<u>\$ 73,749</u>					<u>\$ 38,843</u>

Note 4 – Notes Payable

The Organization’s obligation under notes payable at December 31, 2020 consisted of the following:

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.

	<u>SHOP 2016</u>	<u>SHOP 2019</u>	<u>Total</u>
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:	<u>\$ 67,500</u>	<u>\$ 29,841</u>	<u>\$ 97,341</u>

Note 5 – Capital Assets

A summary of the cost of capital assets and related accumulated depreciation for the year ended December 31, 2020:

	Balance	Additions	Deletions	Balance
	12/31/19			12/31/20
Land	\$ -	\$ -	\$ -	\$ -
Buildings	50,684	-	-	50,684
Improvements	6,568	-	-	6,568
Furniture/equipment	3,185	-	-	3,185
Construction in progress	-	13,722	-	13,772
Accumulated depreciation	(38,863)	(3,020)	-	(41,883)
	\$ 21,574	\$ 10,702	\$ -	\$ 32,326

Depreciation expense for the year ended December 31, 2020 totaled \$3,020.

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 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 December 31, 2020, there was no cash held in excess of the insured limits.

Note 9 – Prior Period Adjustment – Assets Held for Sale

After a reconciliation of Assets Held for Sale during the current fiscal year, Creative Compassion Inc. needed to reduce Assets Held for Sale and Net Assets by \$67,257 to accurately reflect the balances of these accounts on December 31, 2020. The adjustment is not due to current year activity so is shown as a prior period adjustment on the financial statements.

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