



(A Non-Profit Corporation)  
Crossville, TN

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**Financial Statements & Independent Auditors' Report**

**For the Year Ended December 31, 2024**



**smithmarion**

**Creative Compassion, Inc.**  
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For the Year Ended December 31, 2024

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**smithmarion**  
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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, 2024, 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, 2024, 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 15, 2025  
Redlands, CA

**Creative Compassion, Inc.**

## Statement of Financial Position

December 31, 2024

**ASSETS****Current Assets**

|   |                |
|---|----------------|
| Cash - operations                         | \$ 57,738      |
| Cash - housing development                | 176,690        |
| <b>Subtotal Cash and Cash Equivalents</b> | <b>234,428</b> |
| Accounts receivable (net)                 | 30,598         |
| Assets held for sale                      | 285,892        |
| <b>Total Current Assets</b>               | <b>550,918</b> |

**Non-Current Assets**

|   |                |
|---|----------------|
| Mortgage receivable                         | 10,562         |
| Forgivable loans                            | 67,701         |
| Capital assets (net)                        | 19,905         |
| Right-of-use asset - operating leases (net) | 3,790          |
| <b>Total Non-Current Assets</b>             | <b>101,958</b> |

**TOTAL ASSETS****\$ 652,876****LIABILITIES AND NET ASSETS****Current Liabilities**

|   |               |
|---|---------------|
| Accounts payable                                    | \$ 9,166      |
| Accrued expenses                                    | 15,964        |
| Lease liability - operating lease - current portion | 2,197         |
| <b>Total Current Liabilities</b>                    | <b>27,327</b> |

**Long-Term Liabilities**

|   |              |
|---|--------------|
| Lease liability - operating lease - non-current portion | 1,523        |
| <b>Total Long-Term Liabilities</b>                      | <b>1,523</b> |

**Net Assets**

|   |                   |
|---|-------------------|
| Without donor restrictions              | 624,026           |
| With donor restrictions                 | -                 |
| <b>Total Net Assets</b>                 | <b>624,026</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$ 652,876</b> |

**Creative Compassion, Inc.**  
 Statement of Activities  
 For the Year Ended December 31, 2024

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|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total             |
|--|-------------------------------|----------------------------|-------------------|
| <b>PUBLIC SUPPORT AND REVENUE</b>              |                               |                            |                   |
| Contributions                                  | \$ 29,744                     | \$ -                       | \$ 29,744         |
| Grant income                                   | 383,481                       | -                          | 383,481           |
| Developmental income                           | 1,872                         | -                          | 1,872             |
| Program income (gain/(loss) on sale of houses) | 18,553                        | -                          | 18,553            |
| Miscellaneous income                           | 16,081                        | -                          | 16,081            |
| <b>TOTAL SUPPORT AND REVENUE</b>               | <b>449,731</b>                | <b>-</b>                   | <b>449,731</b>    |
| <b>EXPENSES</b>                                |                               |                            |                   |
| Program services                               | 232,493                       | -                          | 232,493           |
| Management and general                         | 132,475                       | -                          | 132,475           |
| Fundraising                                    | 28,213                        | -                          | 28,213            |
| <b>TOTAL EXPENSES</b>                          | <b>393,181</b>                | <b>-</b>                   | <b>393,181</b>    |
| <b>Change in Net Assets</b>                    | <b>56,550</b>                 | <b>-</b>                   | <b>56,550</b>     |
| Beginning net assets                           | 567,476                       | -                          | 567,476           |
| <b>Ending Net Assets</b>                       | <b>\$ 624,026</b>             | <b>\$ -</b>                | <b>\$ 624,026</b> |

**Creative Compassion, Inc.**  
 Statement of Functional Expenses  
 For the Year Ended December 31, 2024

|                                  | Program Services  |                     |                   | Support Services          |                  |                   | Total<br>All<br>Services |
|----------------------------------|-------------------|---------------------|-------------------|---------------------------|------------------|-------------------|--------------------------|
|                                  | Home<br>Ownership | Nehemiah<br>Project | Total             | Management<br>and General | Fundraising      | Total             |                          |
|                                  | \$                | \$                  | \$                | \$                        | \$               | \$                |                          |
| Personnel expense                | \$ 65,554         | \$ 17,917           | \$ 83,471         | \$ 62,689                 | \$ 25,013        | \$ 87,702         | \$ 171,173               |
| Payroll tax                      | 4,880             | 1,334               | 6,214             | 4,666                     | 1,862            | 6,528             | 12,742                   |
| <b>Total Payroll</b>             | <b>70,434</b>     | <b>19,251</b>       | <b>89,685</b>     | <b>67,355</b>             | <b>26,875</b>    | <b>94,230</b>     | <b>183,915</b>           |
| Travel and training              | 3,553             | -                   | 3,553             | 1,126                     | 122              | 1,248             | 4,801                    |
| Telephone and utilities          | 1,440             | -                   | 1,440             | 8,864                     | -                | 8,864             | 10,304                   |
| Office expense                   | 20                | -                   | 20                | 6,502                     | -                | 6,502             | 6,522                    |
| Insurance                        | -                 | -                   | -                 | 12,993                    | -                | 12,993            | 12,993                   |
| Professional services            | 1,415             | -                   | 1,415             | 17,385                    | 1,216            | 18,601            | 20,016                   |
| Program materials                | 4,077             | 127,778             | 131,855           | 1,000                     | -                | 1,000             | 132,855                  |
| Maintenance and repairs          | 120               | -                   | 120               | 12,744                    | -                | 12,744            | 12,864                   |
| Miscellaneous                    | 122               | -                   | 122               | 1,007                     | -                | 1,007             | 1,129                    |
| Interest                         | 4,283             | -                   | 4,283             | -                         | -                | -                 | 4,283                    |
| <b>Total before Depreciation</b> | <b>85,464</b>     | <b>147,029</b>      | <b>232,493</b>    | <b>128,976</b>            | <b>28,213</b>    | <b>157,189</b>    | <b>389,682</b>           |
| Depreciation                     | -                 | -                   | -                 | 3,499                     | -                | 3,499             | 3,499                    |
| <b>Total Functional Expenses</b> | <b>\$ 85,464</b>  | <b>\$ 147,029</b>   | <b>\$ 232,493</b> | <b>\$ 132,475</b>         | <b>\$ 28,213</b> | <b>\$ 160,688</b> | <b>\$ 393,181</b>        |

**Creative Compassion, Inc.**

## Statement of Cash Flows

For the Year Ended December 31, 2024

**CASH FLOWS FROM OPERATING ACTIVITIES**

|  |                      |
|--|----------------------|
| Change in net assets   | \$ 56,550            |
| <b>Adjustments to Reconcile Change in Net Assets to Net Cash</b>           |                      |
| <b>Used by Operating Activities</b>  |                      |
| <b>Non-Cash Items:</b>   |                      |
| Depreciation   | 3,499                |
| Reduction in the carrying amount of right-of-use assets - operating leases | 2,011                |
| <b>Net (Increase) Decrease in:</b>   |                      |
| Grants receivable  | (30,598)             |
| Notes receivable   | 19,025               |
| <b>Net Increase (Decrease) in:</b>   |                      |
| Accounts payable   | 9,027                |
| Accrued expenses   | 7,734                |
| Lease liability  | (2,012)              |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>                    | <b><u>65,236</u></b> |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|   |          |
|---|----------|
| Proceeds from sale of assets held for sale              | 154,461  |
| Proceeds of forgivable loans                            | (20,621) |
| <b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b> |          |

**CASH FLOWS FROM FINANCING ACTIVITIES**

|   |                        |
|---|------------------------|
| Current and long-term debt payments                     | (64,760)               |
| <b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b> | <b><u>(64,760)</u></b> |

|   |                          |
|---|--------------------------|
| Net increase (decrease) in cash                           | 134,316                  |
| Beginning cash, cash equivalents, and restricted cash     | 100,112                  |
| <b>Ending Cash, Cash Equivalents, and Restricted Cash</b> | <b><u>\$ 234,428</u></b> |

Interest expense for the year amounted to: \$ 4,283

## **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.

### **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 and 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.

### **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      |

**Leases**

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

**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 statement 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 2021, 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.

**Subsequent Events**

Creative Compassion, Inc., has evaluated subsequent events through July 15, 2025, the date on which the financial statements were available to be issued.

Subsequent to year end, the Organization sold a property for \$251,000. The process began during the year and closed as of May 2, 2025.

There were subsequent events, however, no adjustments to the financial statements or disclosures as stated herein were required.

**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                  | \$ 234,428       |
| Accounts receivable                        | 30,598           |
| Less funds subject to purpose restrictions | (176,690)        |
| <b>Total</b>                               | <b>\$ 88,336</b> |

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 – MORTGAGE RECEIVABLE**

The following is a schedule of mortgage receivable at December 31, 2024:

| Original<br>Loan Amount | Term in<br>Months | Monthly<br>Payment | Interest<br>Rate | Balance<br>12/31/24 |
|-------------------------|-------------------|--------------------|------------------|---------------------|
| \$ 18,749               | 180               | \$ 50              | 3.00%            | \$ 8,289            |
| 18,000                  | 360               | \$ 76              | 3.00%            | 827                 |
| 17,000                  | 240               | \$ 94              | 3.00%            | 1,446               |
| <b>\$ 53,749</b>        |                   |                    |                  | <b>\$ 10,562</b>    |

#### **NOTE 04 – CAPITAL ASSETS**

A summary of the cost of capital assets and related accumulated depreciation for the year ended December 31, 2024:

|                                     | <b>Balance</b>    |                   |                     | <b>Balance</b>    |
|-------------------------------------|-------------------|-------------------|---------------------|-------------------|
|                                     | <b>12/31/23</b>   | <b>Additions</b>  | <b>Deletions</b>    | <b>12/31/24</b>   |
| <b>Non-Depreciable Assets</b>       |                   |                   |                     |                   |
| Assets held for sale                | \$ 440,353        | \$ 328,409        | \$ (482,870)        | \$ 285,892        |
| <b>Total Non-Depreciable Assets</b> | <b>\$ 440,353</b> | <b>\$ 328,409</b> | <b>\$ (482,870)</b> | <b>\$ 285,892</b> |
| <b>Depreciable Assets</b>           |                   |                   |                     |                   |
| Buildings                           | \$ 50,684         | \$ -              | \$ -                | \$ 50,684         |
| Improvements                        | 20,340            | -                 | -                   | 20,340            |
| Furniture/equipment                 | 4,265             | 1,080             | -                   | 4,265             |
| Accumulated depreciation            | (51,885)          | (3,499)           | -                   | (55,384)          |
| <b>Total Depreciable Assets</b>     | <b>\$ 23,404</b>  | <b>\$ (2,419)</b> | <b>\$ -</b>         | <b>\$ 19,905</b>  |

Depreciation expense for the year ended December 31, 2024, totaled \$3,499.

#### **NOTE 05 – NOTES PAYABLE**

The Organization's obligation under notes payable at December 31, 2024, consisted of the following:

**Federation of Appalachian Housing Enterprises, Inc., Loan** – On August 1, 2021, the Organization secured a note payable 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 loan has been paid in full as of December 31, 2024. The collateral for the loan is the 8 lots at Jesse Loop purchased with the funds.

|  |                   |                    |
|--|-------------------|--------------------|
| Beginning balance of finance arrangements,   | January 1, 2024   | \$ 33,803          |
| Principal payments of financing arrangements |                   | <u>(33,803)</u>    |
| Ending balance of finance arrangements,      | December 31, 2024 | <u><u>\$ -</u></u> |

**NOTE 06 – LEASES**

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

The Organization entered into an operating lease for a copier, with monthly payments through 2026.

For the year ended December 31, 2024, total operating lease cost was \$2,197.

The composition of right-of-use assets are as follows for the fiscal year ending December 31, 2024:

|                                      |                        |  |
|--------------------------------------|------------------------|--|
| Right-of-use asset - operating       |                        |  |
| Equipment                            | \$ 9,826               |  |
| Accumulated amortization - operating | <u>(6,036)</u>         |  |
|                                      | <u><u>\$ 3,790</u></u> |  |
| Lease liability                      | \$ 3,720               |  |

The following summarizes the cash flow information related to operating leases for the year ended December 31, 2024:

Cash paid for amounts included in the measurement of lease liabilities:

|  |          |
|--|----------|
| Operating cash flows for operating lease | \$ 2,197 |
|--|----------|

Weighted average lease term and discount rate as of December 31, 2024, were as follows:

|                                       |            |
|---------------------------------------|------------|
| Weighted average remaining lease term | 1.78 years |
| Weighted average discount rate        | 3.99%      |

The following operating payments are expected to be paid for each of the following years ending December 31, as follows:

|                             |                        |
|-----------------------------|------------------------|
| 2025                        | \$ 2,197               |
| 2026                        | 1,648                  |
| 2027                        | -                      |
| 2028                        | -                      |
| 2029                        | -                      |
| Thereafter                  | <u>-</u>               |
|                             | <u>3,845</u>           |
| Less present value discount | <u>(125)</u>           |
| Lease liability             | <u><u>\$ 3,720</u></u> |

**NOTE 07 – LINE OF CREDIT**

The Organization has a line of credit with One Bank of Tennessee in the amount of \$300,000. The line of credit bears interest of 7.99% and matures on August 1, 2025. As of December 31, 2024, there was a balance of \$-.

**NOTE 08 – RISKS AND UNCERTAINTIES**

The Organization receives most of its funding through Tennessee Housing Development Agency (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 09 – COMPENSATED ABSENCES**

Accrued vacation is granted to both full and part-time employees. Upon termination, neither accrued vacation nor sick hours are paid out to the employee. As of December 31, 2024, the total liability for accrued vacation was \$5,901.

**NOTE 10 – 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 Organization had \$- in excess of the insured amount.

\* \* \* \*