Creative Compassion, Inc

(A Non-Profit Corporation)
Crossville, TN

Financial Statements & Independent Auditors' Report

For the Year Ended December 31, 2025

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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, 2025, 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, 2025, 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.

Smith Marion & Co.

July 13, 2026
Redlands, CA

Creative Compassion, Inc.
Statement of Financial Position
December 31, 2025

ASSETS	
Current Assets	
Cash - operations	$ 6,293
Cash - housing development	20,835
Subtotal Cash and Cash Equivalents	**27,128**
Prepaid expenses	3,177
Current portion - mortgage receivable, forgivable loans and home repair loans	15,988
Assets held for sale	772,450
Total Current Assets	**818,743**
Non-Current Assets	
Mortgage receivable	17,034
Forgivable loans	23,545
Home repair loans	5,562
Capital assets (net)	422,270
Right-of-use asset - operating leases (net)	1,697
Total Non-Current Assets	**470,108**
TOTAL ASSETS	**$ 1,288,851**
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	$ 3,109
Accrued expenses	39,879
Lease liability - operating lease - current portion	1,626
Line of credit	225,000
Note payable	385,000
Total Current Liabilities	**654,614**
Long-Term Liabilities	
Total Long-Term Liabilities	**-**
Net Assets	
Without donor restrictions	634,237
With donor restrictions	-
Total Net Assets	**634,237**
TOTAL LIABILITIES AND NET ASSETS	**$ 1,288,851**

See notes to financial statements

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Contributions	$ 18,404	$ -	$ 18,404
Grant income	496,366	-	496,366
Developmental income	2,462	-	2,462
Program income (gain/(loss) on sale of houses)	18,667	-	18,667
Miscellaneous income	10,544	-	10,544
TOTAL SUPPORT AND REVENUE	**546,443**	**-**	**546,443**
EXPENSES			
Program services	289,009	-	289,009
Management and general	210,733	-	210,733
Fundraising	36,490	-	36,490
TOTAL EXPENSES	**536,232**	**-**	**536,232**
Change in Net Assets	**10,211**	**-**	**10,211**
Beginning net assets	624,026	-	624,026
Ending Net Assets	**$ 634,237**	**$ -**	**$ 634,237**

Creative Compassion, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2025

	Program Services			Support Services			
	Home Ownership	Other Projects	Total	Management and General	Fundraising	Total	Total All Services
Personnel expense	$ 73,620	$ 16,009	$ 89,629	$ 98,083	$ 33,278	$ 131,361	$ 220,990
Payroll tax	5,765	1,254	7,019	7,679	2,606	10,285	17,304
Total Payroll	**79,385**	**17,263**	**96,648**	**105,762**	**35,884**	**141,646**	**238,294**
Travel and training	4,295	-	4,295	11,336	-	11,336	15,631
Telephone and utilities	-	-	-	12,488	-	12,488	12,488
Office expense	598	-	598	21,604	-	21,604	22,202
Insurance	-	-	-	12,957	-	12,957	12,957
Professional services	572	-	572	17,673	606	18,279	18,851
Program materials	59,069	114,656	173,725	1,163	-	1,163	174,888
Maintenance and repairs	810	-	810	1,887	-	1,887	2,697
Miscellaneous	6,655	-	6,655	1,103	-	1,103	7,758
Interest	5,706	-	5,706	8,013	-	8,013	13,719
Total before Depreciation	**157,090**	**131,919**	**289,009**	**193,986**	**36,490**	**230,476**	**519,485**
Depreciation	-	-	-	16,747	-	16,747	16,747
Total Functional Expenses	**$ 157,090**	**$ 131,919**	**$ 289,009**	**$ 210,733**	**$ 36,490**	**$ 247,223**	**$ 536,232**

See notes to financial statements

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	10,211
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Non-Cash Items:		
Depreciation		16,747
Reduction in the carrying amount of right-of-use assets - operating leases		2,093
Amortization of loans		(5,132)
Net (Increase) Decrease in:		
Prepaids		(3,177)
Accounts receivable		30,598
Mortgage receivable		10,169
Home repair loans		11,097
Assets held for sale		(486,558)
Net Increase (Decrease) in:		
Accounts payable		(6,057)
Accrued expenses		23,915
Lease liability		(2,094)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		**(398,188)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for capital assets		(419,112)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		**(419,112)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans		385,000
Proceeds from line of credit		225,000
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		**610,000**
Net increase (decrease) in cash		(207,300)
Beginning cash, cash equivalents, and restricted cash		234,428
Ending Cash, Cash Equivalents, and Restricted Cash	**$**	**27,128**
Interest expense for the year amounted to:	$	13,719

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

Building Homes

We believe everyone deserves a place to call home. Since 1989, we have been building modest, high -quality homes for low-income buyers in Cumberland and surrounding counties, diving local economic development.

Mortgage Loans- We are a certified Mortgage Loan Packager Agency Partner with USDA Rural Development in Tennessee. This means we can assist low-income rural Tennesseans apply for a mortgage pre-approval so they may purchase a home with UDSA's 502 Direct mortgage loan program.

Home Repair Program- We believe that homeownership is a major asset to low -income households. Maintaining our area's existing housing stock positively impacts community economic development. Because of this, we provide very - low and low-income homeowners the opportunity to keep their homes repaired and safe to inhabit.

Since 2009, we have secured home repair grants from various sources for homeowners and helped them apply for low - interest repair loans through USDA's 504 repair program. This keeps their home's value up and also maintains the home for the current owners and future homebuying generations.

Aging in Place- We believe that staying in your home as you age should be a safe and realistic option for individuals and families in Cumberland and surrounding counties. Many homes, however, were not originally designed with long -term accessibility in mind. Because of this, we are expanding our efforts to focus more intentionally on aging in place. Our Aging in Place work centers around practical home modifications that improve safety, accessibility, and everyday functionality. This may include updates such as improved lighting, bathroom safety features, accessibility ramps, and other adjustments that allow homeowners to remain independent longer. This initiative is guided by a Certified Aging - in-Place Specialist (CAPS) and builds on our existing home repair efforts, which have helped local homeowners maintain safe and livable housing since 2009.

Rental Deposit Grants for Homeless Veterans – Contracted by our local VA housing division, we began this program in 2023 to address a barrier to homeless veterans in Cumberland and surrounding counties. When a homeless veteran is working with the local VA office to secure long-term housing payment assistance through a Section 8 voucher and has located a safe place to rent, their only barrier remaining is often the $1,500-$2,000 cost of rent deposit fees to be paid up front at lease signing.

Our program pays these rent deposit fees on behalf of the veteran as a one-time gift. This small bit of help transitions the veteran out of homelessness and gives him or her a true chance to "get back on their feet" in life. This is a true grassroots program as it is solely funded through an annual 5K fundraiser and local donations.

Michael Smathers Memorial Scholarship Fund – We recognize the importance of investing in students entering residential building trade programs. In honor of our Founder Michael (Mike) Smathers, we offer a scholarship to local students attending the Tennessee College of Applied Technology – Upper Cumberland (TCAT-UC). Mike was a skilled tradesman in residential construction, so we honor his legacy by offering funding for higher education skilled learning to students in the building trade programs. Interested students should apply directly with TCAT-UC.

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

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.

Capital Assets
Expenditures on 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.

Allowance for Credit Losses on Loans Receivable
The Organization extends loans to qualifying individuals and families in connection with programs designed to provide access to affordable housing and improve living conditions for underserved communities. Loans receivable are recorded at the principal amount outstanding, net of an allowance for expected credit losses.

Management estimates the allowance for credit losses based on historical collection experience, borrower payment performance, current economic conditions, and reasonable and supportable forecasts that may affect the collectability of the loans. The Organization evaluates the collectability of loans receivable on a pooled basis when similar risk characteristics exist and on an individual basis when specific circumstances indicate heightened credit risk.

The allowance for credit losses represents management's estimate of the amount of probable losses inherent in the loan portfolio as of the statement of financial position date. Adjustments to the allowance are recorded through credit loss expense in the statement of activities.

Loans are evaluated for delinquency on an ongoing basis. When management determines that collection of amounts due is unlikely, the loan balance is written off against the allowance for credit losses. Recoveries of amounts previously written off are recorded when received.

In determining the adequacy of the allowance, the Organization considers factors including payment history, collateral value when applicable, borrower financial condition, loan aging, economic trends affecting borrowers served by the Organization, and the overall risk characteristics of the loan portfolio.

Based on management's evaluation of the loan portfolio and historical collection experience, no allowance for credit losses was considered necessary as of December 31, 2025.

Revenue and Revenue Recognition
The Organization recognizes revenue in accordance with accounting principles generally accepted in the United States of America applicable to nonprofit organizations. Revenue is recognized when earned or when unconditional promises to give are received, depending on the nature of the underlying transaction.

Contributions received, including unconditional promises to give, are recognized as revenue when received or unconditionally pledged to the Organization. Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and nature of donor-imposed restrictions. Conditional contributions are not recognized until the conditions on which they depend have been substantially met.

Grant income consists primarily of awards received from governmental agencies, foundations, and other organizations supporting the Organization's mission. Grants determined to be nonexchange transactions are recognized as contribution revenue when all applicable conditions have been substantially satisfied. Grants determined to represent exchange transactions are recognized as revenue as the related performance obligations are satisfied in accordance with the terms of the grant agreement.

Program income primarily consists of gains or losses recognized from the sale of residential properties developed, rehabilitated, or otherwise improved as part of the Organization's housing assistance programs. Revenue is recognized at the point in time when control of the property transfers to the buyer, generally upon closing of the sale transaction. The resulting gain or loss is measured as the difference between the sales proceeds and the carrying value of the property sold.

The Organization 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 the Organization which is not recorded.

The Organization reviews all revenue arrangements to determine whether transactions should be accounted for as contributions under applicable nonprofit accounting guidance or as exchange transactions where revenue is recognized as performance obligations are satisfied.

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.

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 2022, and beyond remain subject to examination by the Internal Revenue Service.

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 13, 2026, 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.

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	$ 27,128
Accounts receivable	15,988
Less funds subject to purpose restrictions	(20,835)
Total financial assets available for general expenditures within one year	$ 22,281

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 AND LOANS RECEIVABLE

The following is a schedule of mortgage receivable at December 31, 2025:

Original Loan Amount	Term in Months	Monthly Payment	Interest Rate	Balance 12/31/25
$ 18,700	360	$ 60	1.00%	$ 7,723
18,000	360	$ 76	1.00%	10,674
$ 36,700				$ 18,397

Loans receivable consist of mortgage loans, home repair loans, and forgivable loans made to program participants. The composition of loans receivable at December 31, 2025, is as follows:

Loan Type	Current Portion	Long-Term Portion	Total
Mortgage Receivable	$ 1,364	$ 17,033	$ 18,397
Home Repair Loans	183	5,563	5,746
Forgivable Loans	14,441	23,545	37,986
Total	**$ 15,988**	**$ 46,141**	**$ 62,129**

NOTE 04 – CAPITAL ASSETS

A summary of the cost of capital assets and related accumulated depreciation for the year ended December 31, 2025:

	12/31/24	Additions	Deletions	12/31/25
Non-Depreciable Assets				
Land	$ -	$ 50,000	$ -	$ 50,000
Assets held for sale	285,892	766,421	(279,863)	772,450
Total Non-Depreciable Assets	**$ 285,892**	**$ 816,421**	**$ (279,863)**	**$ 822,450**
Depreciable Assets				
Buildings	$ 50,684	$ 360,709	$ -	$ 411,393
Improvements	20,340	-	-	20,340
Furniture/equipment	4,265	8,403	-	12,668
Accumulated depreciation	(55,384)	(16,747)	-	(72,131)
Total Depreciable Assets	**$ 19,905**	**$ 352,365**	**$ -**	**$ 372,270**

Depreciation expense for the year ended December 31, 2025, totaled $16,747.

NOTE 05 – NOTES PAYABLE

The Organization's obligation under notes payable at December 31, 2025, consisted of the following:

On August 1, 2025, the Organization secured a note payable of $385,000 with an interest rate of 7.45% per annum requiring one principal payment of $385,000 plus interest in September 2026.

Total notes payable	$	385,000
Less current portion		(385,000)
Long-term portion	$	-

Future principal maturities for the note payable are as follows:

2026	$	385,000
2027		-
2028		-
2029		-
2030		-
Thereafter		-
	$	385,000

NOTE 06 – 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 7.45% and matures on August 1, 2026. As of December 31, 2025, there was a balance of $225,000.

NOTE 07 – 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, 2025, total operating lease cost was $2,197.

The composition of right-of-use assets are as follows for the fiscal year ending December 31, 2025:

Right-of-use asset - operating		
Equipment	$	9,826
Accumulated amortization - operating		(8,129)
	$	1,697
Lease liability	$	1,626

The following summarizes the cash flow information related to operating leases for the year ended December 31, 2025:

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, 2025, were as follows:

Weighted average remaining lease term	0.78 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:

2026	$	1,626
2027		-
2028		-
2029		-
2030		-
Thereafter		-
		1,626
Less present value discount		(22)
Lease liability	$	1,604

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

The Organization provides paid vacation benefits to eligible full-time and part-time employees. Accrued vacation is not paid upon termination of employment; accordingly, no liability for unused vacation benefits existed as of December 31, 2025.

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 no deposits in excess of the insured amount.

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