

CREATING A FAMILY

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022



CORLISS &
SOLOMON
PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Creating a Family
Table of Contents
Year Ended December 31, 2022

| | |
|---|--------|
| Independent Auditor's Report..... | 1 – 2 |
| Financial Statements: | |
| <i>Statement of Financial Position</i> | 3 |
| <i>Statement of Activities</i> | 4 |
| <i>Statement of Functional Expenses</i> | 5 |
| <i>Statement of Cash Flows</i> | 6 |
| Disclosures to the Financial Statements | 7 – 11 |



CORLISS &
SOLOMON
PLLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Creating a Family
Brevard, North Carolina

Opinion

We have audited the accompanying financial statements of Creating a Family (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related disclosures to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Creating a Family 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 Creating a Family's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Creating a Family'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 Creating a Family'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.

Report on Summarized Comparative Information

We previously reviewed Creating a Family's 2021 financial statements and in our conclusion dated August 8, 2022, stated that based on our review, we were not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2021, for it to be consistent with the reviewed financial statements from which it has been derived.

Carliss & Solomon, PLLC

Asheville, North Carolina
June 1, 2023

Creating a Family
Statement of Financial Position
As of December 31, 2022

(With summarized, comparative totals as of December 31, 2021)

| | <u>Audited</u> | <u>Reviewed</u> |
|--|--------------------------|--------------------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Assets</u> | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 98,401 | \$ 298,766 |
| Investments | 542,107 | 224,819 |
| Grants and Contracts Receivable | 5,000 | - |
| Accounts Receivable | 1,394 | 565 |
| Prepaid Expenses | 12,673 | 9,539 |
| Total Assets | <u>\$ 659,575</u> | <u>\$ 533,689</u> |
| <u>Liabilities and Net Assets</u> | | |
| Current Liabilities | | |
| Accounts Payable | \$ 16,777 | \$ 14,974 |
| Accrued Salaries and Payroll Liabilities | 62 | 759 |
| Deferred Program and Grant Revenue | 123,381 | 228,762 |
| Total Liabilities | <u>140,220</u> | <u>244,495</u> |
| Net Assets | | |
| Without Donor Restrictions | 497,212 | 270,968 |
| With Donor Restrictions | 22,143 | 18,226 |
| Total Net Assets | <u>519,355</u> | <u>289,194</u> |
| Total Liabilities and Net Assets | <u>\$ 659,575</u> | <u>\$ 533,689</u> |

The accompanying disclosures are an integral part of these financial statements.

Creating a Family
Statement of Activities
Year Ended December 31, 2022

(With summarized, comparative totals for the prior year)

| | Audited | | | Reviewed |
|---------------------------------------|---------------------------------------|------------------------------------|-----------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total 2022 | Total 2021 |
| <u>Support and Revenue</u> | | | | |
| Contributions | | | | |
| Businesses | \$ 84,692 | \$ - | \$ 84,692 | \$ 84,283 |
| Individuals | 8,203 | - | 8,203 | 19,213 |
| Grants | 16,364 | 217,000 | 233,364 | 112,100 |
| Program Service Revenue | 340,733 | - | 340,733 | 208,505 |
| In-Kind Contributions | 345 | - | 345 | 6,256 |
| Investment and Other Income | 10,349 | - | 10,349 | 3,492 |
| Net Assets Released from Restrictions | 213,083 | (213,083) | - | - |
| Total Support and Revenue | 673,769 | 3,917 | 677,686 | 433,849 |
| <u>Expenses</u> | | | | |
| Program Services | 266,920 | - | 266,920 | 188,383 |
| Management and General | 92,548 | - | 92,548 | 60,425 |
| Fundraising | 88,057 | - | 88,057 | 75,886 |
| Total Expenses | 447,525 | - | 447,525 | 324,694 |
| Change in Net Assets | 226,244 | 3,917 | 230,161 | 109,155 |
| Net Assets, Beginning of Year | 270,968 | 18,226 | 289,194 | 180,039 |
| Net Assets, End of Year | \$ 497,212 | \$ 22,143 | \$ 519,355 | \$ 289,194 |

The accompanying disclosures are an integral part of these financial statements.

Creating a Family
Statement of Functional Expenses
Year Ended December 31, 2022

(With summarized, comparative totals for the prior year)

| | Audited | | | Reviewed | |
|------------------------------------|------------|------------------------|-------------|------------|------------|
| | Program | Management and General | Fundraising | Total 2022 | Total 2021 |
| Salaries | \$ 161,379 | \$ 58,785 | \$ 62,407 | \$ 282,571 | \$ 203,482 |
| Payroll Taxes | 13,273 | 4,835 | 5,133 | 23,241 | 15,974 |
| Employee Benefits | - | - | - | - | 1,106 |
| Total Personnel Expense | 174,652 | 63,620 | 67,540 | 305,812 | 220,562 |
| Continuing Education Certification | 2,980 | - | - | 2,980 | 5,465 |
| Contract Labor | 11,940 | 91 | - | 12,031 | 31,796 |
| Financial Services | - | 6,768 | - | 6,768 | 5,169 |
| Fundraising and Marketing | - | - | 11,000 | 11,000 | 6,868 |
| Insurance | 1,118 | 1,155 | 432 | 2,705 | 3,806 |
| Miscellaneous Expense | - | 1,482 | 100 | 1,582 | 5,478 |
| Office Expense | - | 3,360 | - | 3,360 | 2,521 |
| Printing and Postage | 4,914 | - | 201 | 5,115 | 3,471 |
| Professional Services | 12,866 | 14,651 | 521 | 28,038 | 4,340 |
| Program Supplies | 9,067 | - | - | 9,067 | 6,952 |
| Technology/Platforms/Software | 20,216 | - | 140 | 20,356 | 17,078 |
| Travel and Transportation | 8,185 | 1,421 | 8,123 | 17,729 | 6,865 |
| Video Production | 20,982 | - | - | 20,982 | 4,323 |
| Total Expenses | \$ 266,920 | \$ 92,548 | \$ 88,057 | \$ 447,525 | \$ 324,694 |

The accompanying disclosures are an integral part of these financial statements.

Creating a Family
Statement of Cash Flows
Year Ended December 31, 2022

(With summarized, comparative totals for the prior year)

| | <u>Audited</u> <u>2022</u> | <u>Reviewed</u> <u>2021</u> |
|--|---|--|
| <u>Cash Flows from Operating Activities</u> | | |
| Change in Net Assets | \$ 230,161 | \$ 109,155 |
| Adjustments to reconcile change in net assets to net cash provided or (used) by operating activities: | | |
| Investment Income Reinvested | (6,389) | - |
| (Increase)/Decrease in Operating Assets | | |
| Grant and Contract Receivable | (5,000) | 10,000 |
| Accounts Receivable | (829) | 321 |
| Prepaid Expenses | (3,134) | 569 |
| Increase/(Decrease) in Operating Liabilities | | |
| Accounts Payable | 1,803 | (468) |
| Accrued Salaries and Payroll Liabilities | (697) | 759 |
| Deferred Revenue | (105,381) | 184,295 |
| Net Cash Provided by Operating Activities | <u>110,534</u> | <u>304,631</u> |
| <u>Cash Flows from Investing Activities</u> | | |
| Purchase of Investments, Net | <u>(310,899)</u> | <u>(114,837)</u> |
| Net Cash Used by Investing Activities | <u>(310,899)</u> | <u>(114,837)</u> |
| Net Change in Cash and Cash Equivalents | (200,365) | 189,794 |
| Cash and Cash Equivalents, Beginning of Year | <u>298,766</u> | <u>108,972</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 98,401</u> | <u>\$ 298,766</u> |

The accompanying disclosures are an integral part of these financial statements.

Creating a Family
Disclosures to the Financial Statements
Year Ended December 31, 2022

1. Description of the Organization, Corporate and Tax-Exempt Status

Creating a Family's mission is to strengthen foster, adoptive, and kinship families and the professionals who support them by creating expert-based, trauma-informed resources, community support, and training.

Creating a Family was incorporated in 2016 as a non-profit corporation in of the state of North Carolina. It has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. Contributions to Creating a Family qualify for the charitable contribution deduction under Section 170(b)(1)(a). The organization is classified as a publicly supported organization under Section 509(a)(1).

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to not-for-profit organizations.

Financial Statement Presentation

The classification of the organization's net assets, and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets – without donor restrictions and with donor restrictions – be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

The classes of net assets are defined as follows:

Net Assets Without Donor Restrictions – Includes net assets that are not subject to donor-imposed restrictions and that may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the organization's management and board of directors.

Net Assets With Donor Restrictions - Includes net assets that are subject to restrictions imposed by donors or grantors. Some donor and grantor restrictions are temporary in nature, such as those with a specified purpose or a timeframe for expenditure established by the donor or grantor. Other donor-imposed restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

The organization's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for U.S. Treasury Bills and U.S. Treasury Notes held as investments.

Concentration of Credit Risk

Financial instruments that potentially subject the organization to concentrations of credit risk consist principally of cash and cash equivalents. The organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed FDIC federally insured limits.

The organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Investments

The organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income and realized and unrealized capital gains and losses, net of investment expenses.

Accounts Receivable

Accounts receivable represent uncollected amounts for program services carried out on a fee-for-service basis. Sales tax receivable is also included as part of accounts receivable. An allowance for doubtful accounts is established for amounts deemed uncollectible, if needed.

Contributions and Grants Receivable

Contributions and grants receivable, without conditions, and expected to be collected within one year are recorded at net realizable value; those expected to be collected in more than one year are recorded at the present value of their future cash flows, using a risk adjusted interest rate. Any provision for uncollectible receivables is estimated by management based on historical collection experience.

Contributions and Grants

Contributions and grants are recognized in support: (1) when the organization receives cash, securities or other assets from a donor or grantor, (2) when a donor conveys a promise to make a donation in the future, on an unconditional basis, and (3) when a grantor awards a grant to be paid in the future, on an unconditional basis. Contributions and grants with conditions, such as performance requirements, are not recognized until the conditions on which they depend have been substantially met.

Program Service Revenue

In accordance with U.S. GAAP, the organization follows *ASU 2014-09, Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

Contract Revenue - a portion of the Organization's income is derived from services carried out under exchange-basis grants and contracts which are conditioned upon certain performance obligations and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has met applicable performance obligations or incurred expenditures in compliance with specific contract provisions. Amounts received prior to revenue recognition are reported as deferred revenue on the statement of financial position.

Leases

The organization has adopted Accounting Standards Update (ASU) No. 2016-02 Leases (Topic 842) as management believes the standard improves the usefulness and understandability of the organization's financial reporting. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases, except for short-term leases less than 12 months. The new standard represents an improvement over the previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The standard was effective for annual reporting periods beginning after December 15, 2021.

During the transition period, implementation is presented retrospectively at the beginning of the period of adoption through a cumulative-effective adjustment and no adjustment to the prior year financial statements presented. The Organization adopted (ASU) No. 2016-02 Leases (Topic 842) effective January 1, 2022 and utilized all of the available practical expedients. The adoption can have a material impact on the Organization's statement of financial position but does not have a material impact on the statement of activities and cash flows. The organization has no applicable leases, and accordingly, no impact on the financial statements presented.

In-Kind Contributions

The organization recognizes contributed goods and the use of facilities at estimated fair value on the date of receipt. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. When recognized, contributed services are reported at fair value.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Certain valuation techniques are used to measure fair value. There are three broad levels as follows:

Level 1 – (the highest level) inputs are based on quoted prices in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date. For example, securities traded in an active market, are valued using Level 1 inputs.

Level 2 – inputs are observable inputs other than quoted prices, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified term, the Level 2 input must be observable for substantially the full term.

Level 3 – inputs are unobservable inputs for the asset or liability, meaning the inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability, including inputs related to risk, which have been developed based on the best information available in the circumstances.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain categories of expenses that are attributable to more than one program or supporting function, require managements allocation on a reasonable basis that is consistently applied. The primary allocation basis used by management for personnel expenses and applicable overhead expenses is estimated based on employee time and effort.

Income Taxes/Uncertain Tax Positions

The organization is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. Under the Code, however, income from certain activities not related to the organization's tax-exempt purpose may be subject to taxation as unrelated business income.

The organization had no income from unrelated business activities in 2022 and was, therefore, not required to file Federal Form 990-T (Exempt Organization Business Income Tax Return). The organization believes that it has appropriate support for all tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Summarized Comparative Data

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the organization's reviewed financial statements for the year ended December 31, 2021, from which the summarized information was derived. Certain amounts in the prior-year financial statements have been reclassified to conform to the current year presentation.

3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following:

| <u>As of December 31:</u> | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Financial Assets at year end: | | |
| Cash and Cash Equivalents | \$ 98,401 | \$ 298,766 |
| Investments | 542,107 | 224,819 |
| Grants and Contracts Receivable | 5,000 | - |
| Accounts Receivable | 1,394 | 565 |
| Total Financial Assets available to meet general expenditures over the following year | <u>\$ 646,902</u> | <u>\$ 524,150</u> |

4. Cash and Cash Equivalents

Cash and cash equivalents amounts are shown in the list below:

| <u>As of December 31:</u> | <u>2022</u> | <u>2021</u> |
|---------------------------------|------------------|-------------------|
| Bank Checking | \$ 93,119 | \$ 212,913 |
| PayPal | 3,076 | 202 |
| Money Market | 2,206 | 85,651 |
| Total Cash and Cash Equivalents | <u>\$ 98,401</u> | <u>\$ 298,766</u> |

5. Investments

The organization's investments consist of U.S. Treasury Bills and U.S. Treasury Notes totaling \$542,107 as of December 31, 2022. The Treasury Bills are sold at a discounted rate to maturity value. They have maturity dates from 1-10 months as of December 31, 2022 and pay no interest. Investment activity for the year ended December 31, 2022 is as follows:

| | |
|---------------------------------|-------------------|
| Balance as of December 31, 2021 | \$ 224,819 |
| Net Purchases | 310,899 |
| Investment Income | 6,389 |
| Balance as of December 31, 2022 | <u>\$ 542,107</u> |

6. Deferred Program and Grant Revenue

Deferred program revenue consists of contract obligations with multiple partners for services to be provided throughout a set contract period. Contracts are usually for 12 months. Contract Revenue is recognized over the life of the contract as it is earned. Deferred program revenue totaled \$109,745 and \$149,763 for the years ended December 31, 2022 and December 31, 2021, respectively.

Deferred grant revenue is from a grant received near yearend in which no work was able to be completed prior to yearend. The grant has measurable performance barriers, and the grantee has the right of return if not used correctly. Revenue from this grant will be recognized as progress is made toward quantitative outcome targets. Deferred grant revenue totaled \$13,636 and \$79,000 for the years ended December 31, 2022 and December 31, 2021, respectively.

7. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes at year-end:

| As of December 31: | 2022 | 2021 |
|--|------------------|------------------|
| Support Group Curriculum | \$ 1,440 | \$ 15,600 |
| Legal Options | 20,703 | - |
| Grandparent Resource Kits | - | 626 |
| Grandparent Listening Sessions | - | 2,000 |
| Total Net Assets With Donor Restrictions | <u>\$ 22,143</u> | <u>\$ 18,226</u> |

8. Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2022 are as follows:

| | Fair Value | Fair Value Measurements at Reporting Date Using | | |
|-------------------|-------------------|---|-------------|-------------|
| | | (Level 1) | (Level 2) | (Level 3) |
| US Treasury Bills | <u>\$ 542,107</u> | <u>\$ 542,107</u> | <u>\$ -</u> | <u>\$ -</u> |

9. Subsequent Events

Subsequent events have been evaluated through June 1, 2023, which is the date the financial statements were available to be issued.