

CREATE FOUNDATION, INC.

Tupelo, Mississippi

December 31, 2022

-oo0oo-

Table of Contents

	Page
Independent Auditors' Report	3
Financial Statements:	
Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis	5
Statements of Support, Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis	6
Statements of Functional Expenses – Modified Cash Basis	7
Statements of Cash Flows.....	8
Notes to Financial Statements	9

-oo0oo-



NAIL MCKINNEY, P.A.
Certified Public Accountants

110 N. Madison ▪ P.O. Box 196
Tupelo, MS 38802
(662) 842-6475 ▪ FAX (662) 842-4531
www.nmcpa.com

Independent Auditors' Report

Board of Directors
CREATE Foundation, Inc.
Tupelo, Mississippi

Opinion

We have audited the accompanying financial statements of CREATE Foundation, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets—modified cash basis as of December 31, 2022 and 2021, and the related statements of support, revenues, expenses, and changes in net assets—modified cash basis, functional expenses—modified cash basis, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the assets, liabilities and net assets of CREATE Foundation, Inc. as of December 31, 2022 and 2021, and its support, revenue, and expenses and its cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

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 Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of CREATE Foundation, 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 CREATE Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of Financial Statements

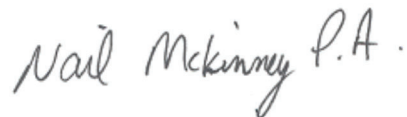
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance 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 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 accepting 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 CREATE Foundation, 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 CREATE Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in cursive script that reads "Nail McKinney P.A.".

Tupelo, Mississippi
April 6, 2023

Statements of Assets, Liabilities, and Net Assets - Modified Cash Basis

CREATE FOUNDATION, INC.

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and temporary cash investments (Note 2)	\$ 18,412,838	\$ 14,120,792
Investments		
Stocks	28,633	7,943
Investment securities (Note 5)	3,199,617	4,651,394
Cash surrender value of life insurance	299,055	264,743
Endowments (Note 4)	110,395,381	133,024,632
Membership interests in limited liability companies (Notes 4 and 8)	349,898	418,677
Journal, Inc. stock (Note 7)	<u>10,485,345</u>	<u>12,819,948</u>
Total investments	<u>124,757,929</u>	<u>151,187,337</u>
Property and Equipment		
Buildings	1,003,991	1,003,991
Equipment	205,741	205,741
Land	<u>1,365,525</u>	<u>1,365,525</u>
	2,575,257	2,575,257
Less: accumulated depreciation	<u>743,488</u>	<u>708,871</u>
Total property and equipment, net	<u>1,831,769</u>	<u>1,866,386</u>
Total assets	<u>\$ 145,002,536</u>	<u>\$ 167,174,515</u>
Net Assets		
Without donor restrictions (Note 13)	\$ 11,412,542	\$ 15,981,338
With donor restrictions (Note 13)	<u>133,589,994</u>	<u>151,193,177</u>
Total net assets	<u>145,002,536</u>	<u>167,174,515</u>
Total liabilities and net assets	<u>\$ 145,002,536</u>	<u>\$ 167,174,515</u>

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

Statements of Support, Revenues, Expenses, and Changes in Net Assets - Modified Cash Basis

CREATE FOUNDATION, INC.

Years ended December 31, 2022 and 2021

	2022			2021		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Totals</i>	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Totals</i>
Support and Revenue						
Support						
Grants:						
Government	\$ -	\$ 73,894	\$ 73,894	\$ 169,149	\$ 113,075	\$ 282,224
Other	-	1,034,039	1,034,039	-	169,400	169,400
Contributions	85,311	13,744,789	13,830,100	1,576,545	14,895,116	16,471,661
Total support	85,311	14,852,722	14,938,033	1,745,694	15,177,591	16,923,285
Revenue						
Investment return, net	(117,302)	(19,917,527)	(20,034,829)	(25,817)	16,808,815	16,782,998
Administrative fees	1,045,870	(1,013,138)	32,732	1,268,315	(1,238,829)	29,486
Rental income	35,600	7,800	43,400	34,100	-	34,100
Total revenue	964,168	(20,922,865)	(19,958,697)	1,276,598	15,569,986	16,846,584
Total support and revenue	1,049,479	(6,070,143)	(5,020,664)	3,022,292	30,747,577	33,769,869
Assets released from restriction	13,244,040	(13,244,040)	-	10,552,686	(10,552,686)	-
Expenses						
Allocations to agencies	12,258,589	-	12,258,589	9,720,259	-	9,720,259
Program services	1,541,627	-	1,541,627	1,364,564	-	1,364,564
Supporting services:						
Management and general	581,172	-	581,172	608,397	-	608,397
Fundraising	435,324	-	435,324	317,899	-	317,899
Total expenses	14,816,712	-	14,816,712	12,011,119	-	12,011,119
Excess (deficiency) of support and revenues over expenses	(523,193)	(19,314,183)	(19,837,376)	1,563,859	20,194,891	21,758,750
Change in equity of Journal, Inc.	(2,334,603)	-	(2,334,603)	714,332	-	714,332
Transfers (Note 10)	(1,711,000)	1,711,000	-	619,167	(619,167)	-
Change in net assets	(4,568,796)	(17,603,183)	(22,171,979)	2,897,358	19,575,724	22,473,082
Net assets, beginning of year	15,981,338	151,193,177	167,174,515	13,083,980	131,617,453	144,701,433
Net assets, end of year	\$ 11,412,542	\$ 133,589,994	\$ 145,002,536	\$ 15,981,338	\$ 151,193,177	\$ 167,174,515

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

Statements of Functional Expenses - Modified Cash Basis

CREATE FOUNDATION, INC.

Years ended December 31, 2022 and 2021

	2022					2021				
	<i>Allocations to Agencies</i>	<i>Program Services</i>	<i>Supporting Services</i>		<i>Total</i>	<i>Allocations to Agencies</i>	<i>Program Services</i>	<i>Supporting Services</i>		<i>Total</i>
			<i>Management and General</i>	<i>Fundraising</i>				<i>Management and General</i>	<i>Fundraising</i>	
Compensation and related expenses										
Salaries	\$ -	\$ 458,673	\$ 290,075	\$ 249,915	\$ 998,663	\$ -	\$ 497,522	\$ 281,351	\$ 170,005	\$ 948,878
Payroll taxes	-	47,403	11,245	9,204	67,852	-	48,597	11,240	6,792	66,629
Employee insurance	-	59,677	19,150	15,674	94,501	-	48,731	18,366	11,098	78,195
Retirement plan	-	43,627	12,457	10,196	66,280	-	43,510	11,612	7,016	62,138
Total	-	609,380	332,927	284,989	1,227,296	-	638,360	322,569	194,911	1,155,840
Advised fund disbursements	5,137,573	-	-	-	5,137,573	3,232,149	-	-	-	3,232,149
Designated fund disbursements	884,926	-	-	-	884,926	1,409,732	-	-	-	1,409,732
Special project disbursements	5,329,144	-	-	-	5,329,144	4,366,664	-	-	-	4,366,664
Endowment fund disbursements	906,946	-	-	-	906,946	711,714	-	-	-	711,714
Program services disbursements	-	221,136	-	-	221,136	-	229,734	-	-	229,734
Unrestricted grants	-	47,215	-	-	47,215	-	46,375	-	-	46,375
Scholarships	-	516,692	-	-	516,692	-	337,790	-	-	337,790
Meeting expenses	-	15,457	7,678	-	23,135	-	11,772	3,055	-	14,827
Communications and publications	-	5,305	3,355	2,746	11,406	-	12,892	7,290	4,405	24,587
Computer system and software	-	-	50,268	-	50,268	-	-	40,359	-	40,359
Contractual services	-	7,970	5,040	4,125	17,135	-	1,260	712	430	2,402
Credit card fees	-	19,826	100	82	20,008	-	15,314	16	9	15,339
Depreciation	-	-	34,617	-	34,617	-	-	34,610	-	34,610
Direct fundraising costs	-	-	-	35,166	35,166	-	-	-	29,379	29,379
Dues and subscriptions	-	7,373	4,663	3,817	15,853	-	9,142	5,170	3,124	17,436
Insurance	-	18,020	29,639	69,790	117,449	-	14,703	24,285	77,189	116,177
Legal and professional	-	-	21,970	-	21,970	-	-	17,980	-	17,980
Miscellaneous	-	10,238	5,202	4,258	19,698	-	22,311	249	151	22,711
Postage	-	3,882	2,456	2,010	8,348	-	4,673	2,642	1,597	8,912
Certification	-	-	500	-	500	-	-	500	-	500
Repairs	-	-	45,837	-	45,837	-	-	135,237	-	135,237
Staff development	-	-	2,292	-	2,292	-	-	2,627	-	2,627
Supplies	-	36,548	23,114	18,918	78,580	-	3,575	2,056	1,242	6,873
Telephone	-	6,726	4,254	3,481	14,461	-	5,593	3,163	1,911	10,667
Travel	-	10,147	3,647	2,985	16,779	-	5,009	2,449	1,480	8,938
Utilities	-	5,712	3,613	2,957	12,282	-	6,061	3,428	2,071	11,560
	<u>\$ 12,258,589</u>	<u>\$ 1,541,627</u>	<u>\$ 581,172</u>	<u>\$ 435,324</u>	<u>\$ 14,816,712</u>	<u>\$ 9,720,259</u>	<u>\$ 1,364,564</u>	<u>\$ 608,397</u>	<u>\$ 317,899</u>	<u>\$ 12,011,119</u>

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

Statements of Cash Flows
CREATE FOUNDATION, INC.
Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Excess (deficiency) of support and revenues over expenses	\$ (19,837,376)	\$ 21,758,750
Adjustments to reconcile to net cash provided by operating activities:		
Noncash changes in membership interests in LLCs	68,779	34,533
Noncash contributions	-	(400,000)
Unrealized losses (gains) on investments	22,798,342	(12,589,253)
Depreciation	34,617	34,610
Net gain on sale of assets	(529,051)	(1,892,929)
Securities donated	(698,149)	(2,618,915)
Net cash provided by operating activities	<u>1,837,162</u>	<u>4,326,796</u>
Cash flows from investing activities:		
Purchase of investments	(3,691,420)	(3,720,119)
Increase in cash surrender value of life insurance	(34,312)	(22,609)
Purchase of property and equipment	-	(625,847)
Proceeds from sale of assets	6,180,616	5,048,220
Net cash provided by investing activities	<u>2,454,884</u>	<u>679,645</u>
Change in cash and cash equivalents	4,292,046	5,006,441
Cash and cash equivalents at beginning of year	<u>14,120,792</u>	<u>9,114,351</u>
Cash and cash equivalents at end of year	<u>\$ 18,412,838</u>	<u>\$ 14,120,792</u>
Schedule of noncash investing and financing activities:		
Equity method adjustment - investment in Journal, Inc.	\$ (2,334,603)	\$ 714,332
Fair value of real estate acquired in excess of purchase price	-	400,000
Membership interests in RJ Wilemon, LLC	(68,779)	(34,533)
Aggregate noncash investing and financing activities	<u>\$ (2,403,382)</u>	<u>\$ 1,079,799</u>

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

Notes to Financial Statements
CREATE FOUNDATION, INC.

December 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

CREATE Foundation, Inc. is a nonprofit, charitable organization which serves as a community foundation and is committed to improving the quality of life for the people in a 17-county area in Northeast Mississippi through:

- building permanent community endowment assets
- encouraging philanthropy and managing charitable funds contributed by individuals, families, organizations, and corporations
- strengthening regional community development capacity
- providing leadership on key community issues
- impacting the region through gifts and targeted grant-making.

The significant accounting policies that have been followed by the Organization in preparing the accompanying financial statements are set forth below:

Basis of Accounting

The Organization's policy is to prepare its financial statements on the modified cash basis of accounting. Other than the methods of accounting for depreciation, donated assets, endowment assets, interests in R.J. Wilemon, LLC, and the value of Journal, Inc. stock, which are described below, the Organization recognizes revenues as received and expenses as paid and recognizes only assets and liabilities resulting from cash transactions. These financial statements are not intended to present the Organization's financial position and results of operations in conformity with generally accepted accounting principles.

Use of Estimates in the Preparation of Financial Statements

In preparing financial statements in conformity with the basis of accounting described above, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Temporary Cash Investments

Cash and temporary cash investments consist of cash on hand and on deposit, including cash in checking accounts and money market mutual funds, and certificates of deposit.

Endowments and Investment Securities

Endowment assets and investment securities are invested in various stocks, mutual funds, and fixed income securities and are carried at fair value. The increase or decrease in fair value is included in investment return in the accompanying statements of support, revenue, expenses, and changes in net assets – modified cash basis. Purchases and sales of such assets are reflected on a trade-date basis. Gains and losses on sales are based on average cost and are recorded in the statements of support, revenue, expenses, and changes in net assets – modified cash basis in the period which the securities are sold.

Journal, Inc. Stock

Journal, Inc. stock is accounted for at the equity value of the wholly owned subsidiary. Changes in the net book value of the subsidiary which are unrelated to dividends received by the parent from the subsidiary are charged to net assets.

Membership Interests in Limited Liability Companies

Membership interests in limited liability companies are valued at the estimated tax-basis capital balance attributable to the Organization's ownership interests.

Property and Equipment

Property and equipment are stated at cost or estimated fair market value on the date received if donated.

Notes to Financial Statements – (continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

Depreciation of property and equipment is provided on a straight-line basis over an estimated useful life of five to ten years for furniture and equipment, and forty years for buildings.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, according to a favorable determination letter dated December 21, 1972 received from the Internal Revenue Service. The Organization is a nonprofit corporation for purposes of Mississippi income tax.

On a continuing basis, management analyzes the Organization's tax positions, and, when a tax position meets the measurement and recognition principles outlined in FASB ASC 740, the Organization accrues a liability for unrecognized tax benefits. Any related interest and penalties associated with unrecognized tax benefits are included as a component of other non-interest expense.

The Organization's federal informational return is subject to examination by the taxing authorities generally for three years after it is filed. Management has evaluated the tax positions taken and has not identified any positions that are unlikely to be sustained upon examination.

Administrative Fees

CREATE Foundation's unrestricted fund charges an administrative fee to certain funds with donor restrictions, typically based on the size of assets under management. The fee income is recognized at a point-in-time as it is assessed, and the fee is transferred from donor-restricted funds to the unrestricted funds.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of support, revenue, expenses, and changes in net assets – modified cash basis as net assets released from restrictions.

Valuation of Gifts

Gifts of securities or property and equipment, including property and equipment acquired through a bargain purchase, are valued at their fair market value at the date of the gift or bequest.

Functional Allocation of Expenses

The costs of providing the programs and activities of the Organization have been summarized on a functional basis in the statements of support, revenue and expenses, and changes in net assets – modified cash basis. Accordingly, certain expenses for salaries and related benefits, supplies, postage, and rent have been allocated among the programs and supporting services benefited based on estimated time and functional usage.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

NOTE 2. CASH AND TEMPORARY CASH INVESTMENTS

Cash and temporary cash investments include amounts in excess of, or not subject to FDIC insurance of \$16,937,809 at December 31, 2022. Cash and cash equivalent accounts have been placed with high credit quality financial institutions. CREATE Foundation has not experienced, nor does it anticipate, any losses with respect to such accounts.

Notes to Financial Statements – (continued)

NOTE 3. AVAILABILITY AND LIQUIDITY

The following table represents the Organization’s financial assets available to meet general expenditures over the next twelve months at December 31:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 18,412,838	\$ 14,120,792
Stocks	28,633	7,943
Investment securities	3,199,617	4,651,394
Cash surrender value of life insurance	299,055	264,743
Endowments	110,395,381	133,024,632
Membership interests in limited liability companies	349,898	418,677
Journal, Inc. stock	<u>10,485,345</u>	<u>12,819,948</u>
	<u>143,170,767</u>	<u>165,308,129</u>
Amounts not available to be used for general expenditures within one year:		
Endowment net assets	110,691,940	133,616,867
Other net assets with donor restrictions	21,894,614	16,572,870
Journal, Inc. stock	10,485,345	12,819,948
Quasi endowment established by the board	<u>53,339</u>	<u>62,977</u>
	<u>143,125,238</u>	<u>163,072,662</u>
Available to meet general expenditures over the next twelve months	<u>\$ 45,529</u>	<u>\$ 2,235,467</u>

As part of CREATE Foundation’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. CREATE Foundation invests its cash in excess of daily requirements in short term investments.

NOTE 4. ENDOWMENTS

Endowment funds consist of the following:

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Investment in brokerage account:			
Cash and cash equivalents	\$ 2,042,825	\$ 2,042,825	\$ -
Mutual funds	48,484,741	51,363,074	2,878,333
Index funds	47,271,621	50,138,795	2,867,174
Marketable equity securities	4,864,068	5,488,339	624,271
Fixed income securities	1,445,347	1,302,973	(142,374)
Alternative investment	<u>31,381</u>	<u>59,375</u>	<u>27,994</u>
	104,139,983	110,395,381	6,255,398
Other endowment assets			
Membership interest in limited liability company	<u>349,898</u>	<u>349,898</u>	<u>-</u>
	<u>\$ 104,489,881</u>	<u>\$ 110,745,279</u>	<u>\$ 6,255,398</u>

Notes to Financial Statements – (continued)

NOTE 4. ENDOWMENTS (continued)

	<i>December 31, 2021</i>		
	<i>Cost</i>	<i>Fair Value</i>	<i>Unrealized Appreciation (Depreciation)</i>
Investment in brokerage account:			
Cash and cash equivalents	\$ 2,219,212	\$ 2,219,212	\$ -
Mutual funds	50,014,264	63,953,534	13,939,270
Index funds	44,676,147	59,024,465	14,348,318
Marketable equity securities	4,885,256	6,507,442	1,622,186
Fixed income securities	1,260,725	1,262,608	1,883
Alternative investment	31,381	57,371	25,990
	<u>103,086,985</u>	<u>133,024,632</u>	<u>29,937,647</u>
Other endowment assets			
Cash and cash equivalents	236,535	236,535	-
Membership interest in limited liability company	418,677	418,677	-
	<u>\$ 103,742,197</u>	<u>\$ 133,679,844</u>	<u>\$ 29,937,647</u>

The following schedules summarize the endowment asset composition by type of fund:

	<i>December 31, 2022</i>		
	<i>Without donor restrictions</i>	<i>With donor restrictions</i>	<i>Total</i>
Donor restricted endowment funds	\$ -	\$ 110,691,940	\$ 110,691,940
Board designated endowment funds	53,339	-	53,339
	<u>\$ 53,339</u>	<u>\$ 110,691,940</u>	<u>\$ 110,745,279</u>

	<i>December 31, 2021</i>		
	<i>Without donor restrictions</i>	<i>With donor restrictions</i>	<i>Total</i>
Donor restricted endowment funds	\$ -	\$ 133,616,867	\$ 133,616,867
Board designated endowment funds	62,977	-	62,977
	<u>\$ 62,977</u>	<u>\$ 133,616,867</u>	<u>\$ 133,679,844</u>

Notes to Financial Statements – (continued)

NOTE 4. ENDOWMENTS (continued)

The following schedules summarize the changes in endowment net assets:

	<i>Year Ended December 31, 2022</i>		
	<i>Without donor restrictions</i>	<i>With donor restrictions</i>	<i>Total</i>
Endowment net assets, beginning of year	\$ 62,977	\$ 133,616,867	\$ 133,679,844
Investment return			
Interest income	1,088	2,295,481	2,296,569
Realized gains	279	526,475	526,754
Unrealized losses	(10,932)	(22,520,087)	(22,531,019)
Direct investment expenses	(73)	(220,786)	(220,859)
Contributions	-	2,261,940	2,261,940
Appropriations of endowment for expenditures	-	(1,953,746)	(1,953,746)
Transfers to (from) other funds	-	(3,314,204)	(3,314,204)
	<u>\$ 53,339</u>	<u>\$ 110,691,940</u>	<u>\$ 110,745,279</u>
	<i>Year Ended December 31, 2021</i>		
	<i>Without donor restrictions</i>	<i>With donor restrictions</i>	<i>Total</i>
Endowment net assets, beginning of year	\$ 55,021	\$ 117,940,364	\$ 117,995,385
Investment return			
Interest income	1,141	2,487,280	2,488,421
Realized gains	752	1,896,876	1,897,628
Unrealized gains	6,137	12,658,828	12,664,965
Direct investment expenses	(74)	(234,034)	(234,108)
Contributions	-	4,202,593	4,202,593
Appropriations of endowment for expenditures	-	(1,987,312)	(1,987,312)
Transfers to (from) other funds	-	(3,347,728)	(3,347,728)
	<u>\$ 62,977</u>	<u>\$ 133,616,867</u>	<u>\$ 133,679,844</u>

The Organization is a member, through previous endowment contributions of the ownership interests, in a limited liability company (R.J. Wilemon, LLC) which is invested in various real estate assets. The Organization recorded the initial and subsequent noncash gifts of membership interests in the entity such that the recorded investment is equivalent to the Organization's estimated capital balance within that entity. Wilemon Foundation, the other member of the referenced limited liability company, constitutes a related party to CREATE Foundation due to the partnership interest in the entity. Wilemon Foundation also periodically contributes cash to the endowment fund held by CREATE within which the membership interests in the limited liability company are recorded. Cash contributions received during 2022 and 2021 from Wilemon Foundation amounted to \$283,711 and \$263,668, respectively.

The Organization anticipates that the underlying real estate assets of the limited liability company will be liquidated in an orderly fashion, converting the membership interest assets to cash to be subsequently invested in accordance with the Organization's investment policies for endowment assets.

Notes to Financial Statements – (continued)

NOTE 5. INVESTMENT SECURITIES

Investment securities, exclusive of endowment assets, and their allocation between net assets with and without donor restrictions follows:

		<i>December 31, 2022</i>		
		<i>Cost</i>	<i>Fair Value</i>	<i>Unrealized Appreciation (Depreciation)</i>
U.S. Treasuries and government agencies		\$ 3,303,035	\$ 3,038,505	\$ (264,530)
Short-term fixed income funds		164,327	161,112	(3,215)
		<u>\$ 3,467,362</u>	<u>\$ 3,199,617</u>	<u>\$ (267,745)</u>
		<i>Without donor restrictions</i>	<i>With donor restrictions</i>	<i>Total</i>
Fund allocation		<u>\$ 93,030</u>	<u>\$ 3,106,587</u>	<u>\$ 3,199,617</u>

		<i>December 31, 2021</i>		
		<i>Cost</i>	<i>Fair Value</i>	<i>Unrealized Appreciation (Depreciation)</i>
U.S. Treasuries and government agencies		\$ 4,512,054	\$ 4,502,122	\$ (9,932)
Short-term fixed income funds		149,687	149,272	(415)
		<u>\$ 4,661,741</u>	<u>\$ 4,651,394</u>	<u>\$ (10,347)</u>
		<i>Without donor restrictions</i>	<i>With donor restrictions</i>	<i>Total</i>
Fund allocation		<u>\$ 270,145</u>	<u>\$ 4,381,249</u>	<u>\$ 4,651,394</u>

The following schedules summarize the investment return, exclusive of endowment assets, and its classification in the statement of activities:

		<i>Year Ended December 31, 2022</i>	
		<i>Without donor restrictions</i>	<i>With donor restrictions</i>
Interest income		\$ 167,475	\$ -
Realized gains		907	1,390
Unrealized losses		(267,323)	-
Direct investment expenses		(8,723)	-
Total investment return		<u>\$ (107,664)</u>	<u>\$ 1,390</u>

		<i>Year Ended December 31, 2021</i>	
		<i>Without donor restrictions</i>	<i>With donor restrictions</i>
Interest income		\$ 81,387	\$ -
Realized losses		(4,567)	(135)
Unrealized losses		(98,838)	-
Direct investment expenses		(11,755)	-
Total investment return		<u>\$ (33,773)</u>	<u>\$ (135)</u>

NOTE 6. FAIR VALUE

“Fair value” is defined by FASB ASC 820 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization’s assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. The hierarchy is broken down into the following three levels, based on the reliability of inputs:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3 Significant unobservable inputs for the asset or liability that reflect the reporting entity’s own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Determination of Fair Value

The Organization uses the valuation methodologies listed below to measure different financial instruments at fair value. An indication of the level in the fair value hierarchy in which each instrument is generally classified is included. Where appropriate, the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

Marketable equity securities, mutual funds, index funds, stocks and government income funds

Marketable equity securities, mutual funds, index funds, stocks and government income funds are valued at the closing price reported on the active market on which the individual securities or funds are traded.

U.S. government agencies, U.S. Treasury Notes and other fixed income securities

U.S. government agencies and other fixed income securities are generally determined by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities’ relationship to other benchmark quoted securities.

Other investments

Other investments consist of the Organization’s investment in its wholly owned subsidiary, which is valued at the subsidiary’s recorded equity balance, investment in Hatteras funds based on management’s unconfirmed estimate of net assets, and membership interests in limited liability companies valued at the estimated capital balance of those entities.

Endowments

The following tables present the balances of endowment assets measured at fair value on a recurring basis:

Notes to Financial Statements – (continued)

NOTE 6. FAIR VALUE (continued)

	<i>December 31, 2022</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Marketable equity securities	\$ 5,488,339	\$ -	\$ -	\$ 5,488,339
Mutual funds	51,363,074	-	-	51,363,074
Index funds	50,138,795	-	-	50,138,795
Fixed income securities	-	1,302,973	-	1,302,973
Membership interests in LLCs	-	-	349,898	349,898
Alternative investments	-	-	59,375	59,375
	<u>\$ 106,990,208</u>	<u>\$ 1,302,973</u>	<u>\$ 409,273</u>	<u>\$ 108,702,454</u>

	<i>December 31, 2021</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Marketable equity securities	\$ 6,507,442	\$ -	\$ -	\$ 6,507,442
Mutual funds	63,953,534	-	-	63,953,534
Index funds	59,024,465	-	-	59,024,465
Fixed income securities	-	1,262,608	-	1,262,608
Membership interests in LLCs	-	-	418,677	418,677
Alternative investments	-	-	57,371	57,371
	<u>\$ 129,485,441</u>	<u>\$ 1,262,608</u>	<u>\$ 476,048</u>	<u>\$ 131,224,097</u>

The following table sets forth a summary of changes in the fair value of the endowment's level 3 assets for the year ended December 31, 2022:

	<i>Membership Interests in LLCs</i>	<i>Alternative Investments</i>
Balance, beginning of year	\$ 418,677	\$ 57,371
Membership interests contributed, net of entity losses	(68,779)	-
Unrealized gains	-	2,004
Settlements	-	-
	<u>\$ 349,898</u>	<u>\$ 59,375</u>

Non-endowed investment securities, other investments and stocks

The following tables present the balances of non-endowed assets measured at fair value on a recurring basis:

	<i>December 31, 2022</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
U.S. Treasuries and govt. agencies	\$ -	\$ 3,038,505	\$ -	\$ 3,038,505
Short-term fixed income funds	161,112	-	-	161,112
Journal, Inc. stock	-	-	10,485,345	10,485,345
Other stock gifts	28,633	-	-	28,633
	<u>\$ 189,745</u>	<u>\$ 3,038,505</u>	<u>\$ 10,485,345</u>	<u>\$ 13,713,595</u>

Notes to Financial Statements – (continued)

NOTE 6. FAIR VALUE (continued)

	<i>December 31, 2021</i>			
	<u><i>Level 1</i></u>	<u><i>Level 2</i></u>	<u><i>Level 3</i></u>	<u><i>Total</i></u>
U.S. Treasuries and govt. agencies	\$ -	\$ 4,502,122	\$ -	\$ 4,502,122
Short-term fixed income funds	149,272	-	-	149,272
Journal, Inc. stock	-	-	12,819,948	12,819,948
Other stock gifts	7,943	-	-	7,943
	<u>\$ 157,215</u>	<u>\$ 4,502,122</u>	<u>\$ 12,819,948</u>	<u>\$ 17,479,285</u>

The following table sets forth a summary of changes in the fair value of the non-endowed level 3 assets for the year ended December 31, 2022:

	<u><i>Journal, Inc.</i></u> <u><i>Stock</i></u>
Balance, beginning of year	\$ 12,819,948
Change in subsidiary equity	(2,334,603)
Balance, end of year	<u>\$ 10,485,345</u>

The Organization has no assets or liabilities recorded at fair value on a nonrecurring basis.

NOTE 7. INVESTMENT IN SUBSIDIARY

Journal, Inc. is a wholly owned subsidiary of the Organization. The stock is carried in the financial statements at the subsidiary's equity as determined under accounting principles general accepted in the United States of America. Journal, Inc.'s summarized financial information at December 31, 2022 and 2021 and for the years then ended is as follows:

	<u><i>2022</i></u>	<u><i>2021</i></u>
Current assets	\$ 4,634,369	\$ 3,222,911
Investments	3,147,597	4,580,661
Property and equipment, net	6,938,974	8,552,654
Other assets	3,239,801	3,042,058
Total assets	<u>17,960,741</u>	<u>19,398,284</u>
Current liabilities	2,954,926	2,563,118
Long-term debt	3,732,287	3,995,165
Operating lease liabilities	348,116	-
Pension liability	440,067	20,053
Total liabilities	<u>7,475,396</u>	<u>6,578,336</u>
Subsidiary equity	<u>\$ 10,485,345</u>	<u>\$ 12,819,948</u>
Loss from operations	\$ (2,654,591)	\$ (2,186,603)
Other income	1,576,014	2,094,301
Provision for income taxes	(230,760)	(92,541)
Net loss	<u>\$ (1,309,337)</u>	<u>\$ (184,843)</u>

Notes to Financial Statements – (continued)

NOTE 8. INVESTMENT IN R. J. WILEMON, LLC

As discussed in Note 4, the Organization has received an ownership interest in R. J. Wilemon, LLC in the form of non-cash charitable contributions. The membership interest in that entity is carried at the estimated tax-basis capital balance attributed to that ownership interest. R. J. Wilemon, LLC’s summarized, unaudited, tax-basis financial information at December 31, 2022 and 2021 and for the years then ended is as follows:

	<i>2022</i>	<i>2021</i>
Current assets	\$ 254,347	\$ 326,511
Building and other depreciable assets, net	115,510	121,938
Land	408,580	479,065
Total assets	778,437	927,514
Current liabilities	3,766	-
Member's Capital	\$ 774,671	\$ 927,514
Rental income	\$ 44,871	\$ 11,778
Capital losses	(2,600)	85,767
Operating expenses	(195,114)	(172,343)
Net loss	\$ (152,843)	\$ (74,798)

NOTE 9. EMPLOYEE BENEFIT PLAN

The Organization provides a tax-deferred annuity program (403b plan) to all full-time, regular employees. The Organization contributes up to 10% (based on years of service) of all full-time eligible employees’ salary to the employee designated account within the plan. During the first year of full-time employment, employees can contribute up to 10% of their pre-tax salary into the plan. After the first complete year of full-time employment, employees may contribute up to 15% of their salaries to the plan. The Organization’s contributions to the plan in 2022 and 2021 were \$66,280 and \$62,138, respectively.

NOTE 10. TRANSFERS

During 2022 and 2021, the Organization transferred \$123,638 and \$619,167, respectively from net assets with donor restrictions to net assets without donor restrictions as directed by the Board of Directors. In addition, during the year ended December 31, 2022, the Organization reclassified its building fund from unrestricted to temporarily restricted resulting in a reclassification of net assets of \$1,834,638 representing the beginning of year net asset balance for that fund. That reclassification was accounted for as a current year transfer of net assets from net assets without donor restriction to net assets with donor restrictions.

NOTE 11. COMMITMENTS AND CONTINGENCIES

As of December 31, 2022, the Organization had commitments for grants awarded, not yet paid, for Affiliate Administrative Support for \$7,000. In addition to the foregoing, in September of 2022 the Organization has entered into an agreement to sell the McLean Center building (the Organization’s administrative facilities) for \$1,000,000 with a closing date in 2023 based on when the Organization’s new facilities discussed in the following paragraph are available for occupancy. Based on book values of the building and related land at December 31, 2022, it is anticipated that CREATE will realize a gain on the sale of these facilities of approximately \$500,000.

Subsequent to December 31, 2022, but before the financial statements were available to be issued, the Organization has entered into a leasing arrangement with the Community Development Foundation (CDF) in Tupelo, Mississippi. Under the terms of this agreement, the Organization will pay \$250,000 to help defray the cost of relocating the existing tenant, and the Organization intends to prepay \$4,153,567 for a 99-year lease of the second floor (and common area usage) of the CDF building in Tupelo, Mississippi. In addition, under the terms of the

Notes to Financial Statements – (continued)

NOTE 11. COMMITMENTS AND CONTINGENCIES (continued)

agreement the Organization is responsible for a 45% share of that building’s operating and capital expenses as specified in the underlying agreements.

NOTE 12. LEASES

The Organization leases certain office equipment under terms accounted for as short-term leases. The Organization elects to account for short-term lease expense, including variable lease payments, on the straight-line basis over the term of the lease in the period in which the obligation for the payment is incurred. Total rent expenses and future minimum lease payments associated with these leasing arrangements during the years ended December 31, 2022 and 2021 were immaterial.

NOTE 13. NET ASSETS

Net assets with donor restrictions consisted of the following at December 31:

	<i>December 31,</i>	
	<u>2022</u>	<u>2021</u>
Organizational/Agency endowment funds	\$ 5,414,829	\$ 6,094,145
Scholarship endowment funds	4,646,215	5,274,039
Education endowment funds	55,504,228	68,242,625
Field of interest endowment funds	31,568,272	37,633,001
Community endowment funds	8,131,771	9,782,766
Designated endowments	<u>5,426,625</u>	<u>6,590,291</u>
Endowment net assets	<u>110,691,940</u>	<u>133,616,867</u>
Advised funds yet to be disbursed	11,318,740	10,177,067
Designated contributions yet to be disbursed	3,382,813	884,918
Program service funds	50,446	54,551
Scholarship funds	553,321	447,026
CREATE Foundation, Inc. special project funds	6,588,971	5,009,727
Supporting organization funds	<u>323</u>	<u>(419)</u>
Other donor restricted net assets	<u>21,894,614</u>	<u>16,572,870</u>
Journal, Inc. Stock	<u>1,003,440</u>	<u>1,003,440</u>
Total net assets with donor restrictions	<u>\$ 133,589,994</u>	<u>\$ 151,193,177</u>

Net assets without donor restrictions consisted of the following at December 31:

	<i>December 31,</i>	
	<u>2022</u>	<u>2021</u>
Undesignated	\$ 11,359,203	\$ 15,918,361
Board designated	<u>53,339</u>	<u>62,977</u>
	<u>\$ 11,412,542</u>	<u>\$ 15,981,338</u>

NOTE 14. GOVERNMENT ASSISTANCE

The Organization periodically receives government grant funding, and such grant funding is typically awarded and utilized for program-specific purposes. Government grant funds awarded and utilized for program-specific purposes are typically included in resources subject to donor restrictions in the financial statements.

Notes to Financial Statements – (continued)

NOTE 14. GOVERNMENT ASSISTANCE (continued)

During the year ended December 31, 2021, the Organization borrowed \$169,149 from a bank under the provisions of the Paycheck Protection Program (“PPP”) established by the Coronavirus Relief and Economic Security Act as amended by the Paycheck Protection Program Flexibility Act. Under those provisions, the loan could be forgiven if the terms of forgiveness are met. During the year ended December 31, 2021, the Organization incurred eligible costs sufficient to satisfy the terms of forgiveness and received notification that the Small Business Administration had forgiven the PPP loan borrowed during that year. The funds were awarded to offset expenses charged primarily to supporting services, and, accordingly, the proceeds of the loan are included in government grant income categorized as resources without donor restriction in the accompanying statements of support, revenues, expenses and changes in net assets – modified cash basis.