

Capita Social, Inc.

Annual Financial Report

As of and for the Year Ended

December 31, 2021

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LYNNE D. JONES, CPA
Accounting . Auditing . Advisory Services

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Capita Social, Inc.
Greenville, South Carolina

Opinion

I have audited the accompanying financial statements of Capita Social, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capita Social, Inc. as of December 31, 2021, 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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Capita Social, Inc. and to meet other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Capita Social, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

www.ljonescpa.com

11 North Irvine Street, Suite #4 . Greenville, S.C. 29601
p 864.380.3275 f 864.551.4566 e ljones@ljonescpa.com

Member AICPA

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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 accepted auditing standards, I:

- 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 Capita Social, 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Capita Social Inc.'s ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Lynne D. Jones

Greenville, South Carolina
June 30, 2022

Capita Social, Inc.
Statement of Financial Position
December 31, 2021

Assets

Current assets

| | | |
|----------------------------------|----|-----------------------|
| Cash and cash equivalents | \$ | 22,099 |
| Investments at fair market value | | 63,919 |
| Accounts receivable | | 42,075 |
| Prepaid assets | | 820 |
| Total current assets | | <u>128,913</u> |
| Total assets | \$ | <u><u>128,913</u></u> |

Liabilities and Net Assets

Current liabilities

| | | |
|---------------------------|----|--------------|
| Accounts payable | \$ | 4,800 |
| Total current liabilities | | <u>4,800</u> |
| Total liabilities | | <u>4,800</u> |

Net Assets

| | | |
|----------------------------------|----|-----------------------|
| Without donor restrictions | | 121,613 |
| With donor restrictions | | 2,500 |
| Total net assets | | <u>124,113</u> |
| Total liabilities and net assets | \$ | <u><u>128,913</u></u> |

The accompanying notes are an integral part of these financial statements

Capita Social, Inc.
Statement of Activities
For the Year Ended December 31, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|-------------------|
| Revenue and Support | | | |
| Corporate and individual giving | \$ 18,744 | \$ - | \$ 18,744 |
| Other grants and foundation gifts | 325,000 | - | 325,000 |
| Direct consultation income | 106,137 | - | 106,137 |
| Sponsorship income | 1,500 | 7,500 | 9,000 |
| PPP Loan income | 15,902 | - | 15,902 |
| Net assets released from restriction: | | | |
| Satisfaction of time restrictions | 5,000 | (5,000) | - |
| Total revenue and support | <u>472,283</u> | <u>2,500</u> | <u>474,783</u> |
| Expenses | | | |
| Program services | 277,616 | - | 277,616 |
| Management and general | 106,989 | - | 106,989 |
| Fundraising | - | - | - |
| Total expenses | <u>384,605</u> | <u>-</u> | <u>384,605</u> |
| Excess of revenue and support over expenses | <u>87,678</u> | <u>2,500</u> | <u>90,178</u> |
| Net assets, beginning of year | <u>33,935</u> | <u>-</u> | <u>33,935</u> |
| Net assets, end of year | <u>\$ 121,613</u> | <u>\$ 2,500</u> | <u>\$ 124,113</u> |

The accompanying notes are an integral part of these financial statements

Capita Social, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

| Expenses | Supporting Services | | | Total |
|---|---------------------|------------------------|-------------|-------------------|
| | Program Services | Management and General | Fundraising | |
| A More Just Child Care Economy | \$ 30,000 | \$ - | \$ - | \$ 30,000 |
| Climate Change | 6,540 | - | - | 6,540 |
| Communications and Audience Development | 62,473 | - | - | 62,473 |
| Fostering Long-Term Responsibility | 16,028 | - | - | 16,028 |
| General Content Creation | 7,782 | - | - | 7,782 |
| Intersectional Innovation | 2,500 | - | - | 2,500 |
| Stretched Social Fabric | 17,245 | - | - | 17,245 |
| The Arts and New Narratives | 320 | - | - | 320 |
| Salaries | 75,000 | 25,000 | - | 100,000 |
| Payroll taxes | 5,737 | 1,913 | - | 7,650 |
| Contract labor | 40,500 | 30,487 | - | 70,987 |
| The Annual publication | 13,491 | 13,490 | - | 26,981 |
| Charitable contributions | - | 150 | - | 150 |
| Accounting fees | - | 1,981 | - | 1,981 |
| Printing and office | - | 2,803 | - | 2,803 |
| Professional development | - | 3,651 | - | 3,651 |
| Occupancy | - | 4,505 | - | 4,505 |
| Software | - | 5,830 | - | 5,830 |
| Website maintenance | - | 763 | - | 763 |
| Subscriptions | - | 201 | - | 201 |
| Travel and meals | - | 10,434 | - | 10,434 |
| Development expenses | - | 578 | - | 578 |
| Insurance | - | 1,839 | - | 1,839 |
| Other reimbursable expenses | - | 1,054 | - | 1,054 |
| Net realized and unrealized losses on investments | - | 2,310 | - | 2,310 |
| | <u>\$ 277,616</u> | <u>\$ 106,989</u> | <u>\$ -</u> | <u>\$ 384,605</u> |

The accompanying notes are an integral part of these financial statements

Capita Social, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash flows from Operating Activities

| | | |
|--|----|---------------|
| Increase in net assets | \$ | 90,178 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Forgiveness of PPP Loan (See Note 9) | | (15,902) |
| Net realized and unrealized loss on investments | | 2,310 |
| Net changes in operating assets and liabilities: | | |
| Increase in accounts receivable | | (42,075) |
| Increase in prepaid assets | | (820) |
| Increase in accounts payable | | 4,800 |
| Net cash provided by operating activities | | <u>38,491</u> |

Investing Activities

| | | |
|---------------------------------------|--|-----------------|
| Purchases of investments | | (70,000) |
| Proceeds from sales of investments | | 40,055 |
| Net cash used in investing activities | | <u>(29,945)</u> |

Financing Activities

| | | |
|---|--|---------------|
| Proceeds from PPP loan | | 15,902 |
| Net cash provided by financing activities | | <u>15,902</u> |

| | | |
|--|----|----------------------|
| Net increase in cash and cash equivalents | | 24,448 |
| Cash and cash equivalents, beginning of year | | <u>(2,349)</u> |
| Cash and cash equivalents, end of year | \$ | <u><u>22,099</u></u> |

The accompanying notes are an integral part of these financial statements

NOTE 1 - NATURE OF ORGANIZATION

Capita Social, Inc. (the “Organization”) is an independent, nonpartisan think tank with a global focus. Its purpose is to build a future in which all children and families flourish. The Organization strives to find new and innovative solutions to some most challenging issues faced by society. The Organization does this through engaging in and facilitating research, published analysis and commentary, seminars, workshops, meetings, and direct consultation.

Major sources of revenue include grants from other global nonprofits, corporate and individual giving, consulting, and sponsorship fees. The Organization targets its efforts on certain theme areas, including but not limited to childcare, climate change, and social fabric.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The books and accounts of the Organization are maintained, and the accompanying financial statements are prepared, on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). Income is recognized when earned and costs and expenses are recognized when the obligations are incurred. Accordingly, all significant receivables, payables, and other assets and liabilities are reflected in the accompanying Statement of Financial Position.

Revenue Recognition

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, through the accomplishment of a specific purpose or the passage of time, or both, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Restricted contributions received for which the restrictions are met in the year of receipt are reported as net assets without donor restriction support.

The Organization follows the guidance prescribed in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic No. 606, *Revenue from Contracts with Customers*. Revenues generated under contracts with customers consist of consulting services, sponsorships, and event fees, and are recognized at the point in time at which services are performed. As such, the Organization does not report contract assets or liabilities, nor is there a significant financing component to the Organization’s operations.

Net Assets

The Organization presents information regarding its financial position and activities according to two classes of net assets described as follows:

Net assets without donor restrictions - These net assets generally result from contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions - These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the stipulated time restriction ends, or the purpose of the restriction is accomplished.

Cash and Cash Equivalents

The Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable at December 31, 2021 consist of amounts due from consulting services performed by the Organization during the calendar year for which payment is due but not yet received. Management identifies potential uncollectible accounts by the specific identification method and records an allowance for doubtful accounts when collection is unlikely. Management charges off the related receivable and allowance when all collection methods are exhausted. No allowance was considered necessary at December 31, 2021.

Investments

The Organization's investments are stated at estimated fair market value in the Statement of Financial Position. Changes in unrealized gains and losses are reported in the Statement of Activities. Realized gains and losses on sales of investments are based on the first in-first out method and are also reported in the Statement of Activities.

Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional Expenses

Management considers all expenses incurred in the Organization's focus areas to be program related.

Salaries and related expenses are allocated to program services and management and general expenses based on the best estimates of management. Expenses other than salaries and related expenses, which are not directly identifiable as program services, are also allocated to supporting services based on the best estimates of management.

Compensated absences

The Organization has not recorded a liability for employees' vested rights to receive compensation for future absences as such amounts cannot be reasonably estimated.

Income Taxes

The Organization is a nonprofit organization that has been granted exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from South Carolina state income taxes. Accordingly, no provision for income taxes has been provided in these financial statements.

The Organization accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The Organization has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Organization has determined that such tax position does not result in an uncertainty requiring recognition in the financial statements. The Organization is not currently under examination by any taxing jurisdiction. The Organization files IRS Form 990 annually with the Federal government. The Organization's federal tax returns are generally open for examination for the three years ended December 31, 2021.

New Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and corresponding lease liability on the Statement of Financial Position at the date of the lease commencement. Leases will be classified as either finance or operating, and this distinction will be relevant for the pattern of expense recognition in the Statement of Activities. This standard will be effective for the entity for the year ending December 31, 2022. Management believes the adoption of this ASU will not have a material effect on the Organization's financial statements.

NOTE 3 – LIQUIDITY AND AVAILABILITY

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations become due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. The Organization’s financial health is monitored through monthly reporting to the Board of Directors.

The table below presents financial assets available for general expenditures within one year at December 31, 2021:

Financial assets at year-end:

| | |
|---------------------------|-----------|
| Cash and cash equivalents | \$ 22,099 |
| Accounts receivable | 42,075 |
| Investments | 63,919 |

Less amounts not available to be used within one year: -

Financial assets available to meet general expenditures within one year: \$ 128,093

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Organization maintains its operating bank account at one financial institution. The account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Amounts on deposit may have exceeded the federally insured limit at times during the year. The Organization believes that there is no significant credit risk with respect to these deposits.

The Organization receives a substantial amount of support from two grantor agencies for its programs. These two agencies provided 53% and 15% of total support for the year ended December 31, 2021. A significant change in the level of this support, if it were to occur, would have an adverse effect on the Organization’s programs and activities. It is reasonably possible that benefactors, grantors, or contributors might be lost in the near term.

NOTE 5 - INVESTMENTS

Investments consist of the following at December 31, 2021:

| | <u>Cost</u> | <u>Gross Unrealized gains</u> | <u>Gross Unrealized losses</u> | <u>Fair Market Value</u> |
|---------------------|------------------|---------------------------------------|--|------------------------------|
| Mutual funds | \$ 64,696 | \$ - | \$ 777 | \$ 63,919 |
| | <u>\$ 64,696</u> | <u>\$ -</u> | <u>\$ 777</u> | <u>\$ 63,919</u> |

Sales of investments during the year resulted in proceeds of \$40,055 and gross realized losses of \$1,533.

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization records investments according to US GAAP which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1** Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access
- Level 2** Assets and liabilities whose values are based on quoted prices in markets that are not active, or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability
- Level 3** Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value at December 31, 2021:

Mutual funds: Valued at the net asset value ("NAV") of shares held by the Organization.

The method described above may produce a fair value estimate that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2021:

| | Assets at fair value as of December 31, 2021 | | | |
|---------------------|---|----------------|----------------|--------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual funds | | | | |
| Income funds | \$ 63,919 | \$ - | \$ - | \$ 63,919 |
| | \$ 63,919 | \$ - | \$ - | \$ 63,919 |

Capita Social, Inc.
Notes to Financial Statements
December 31, 2021

The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments not measured at fair value:

Cash, account receivable, and accounts payable – these assets and liabilities are recorded at historical cost, or amounts receivable or payable. The carrying amounts reported in the Statement of Financial Position approximates fair value because of the short-term nature of these instruments.

NOTE 7 - ADOPTION OF NEW ACCOUNTING PRINCIPLES

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to improve the scope and the accounting guidance for contributions received and made as it relates to revenue and expense recognition of grants and contracts by not-for-profits. Specifically, the guidance clarifies the definition of a conditional contribution, and states that these contributions should not be recognized as revenue until such time as the conditions are substantially met. The Organization adopted this standard for the year ended December 31, 2021. There was no material effect on net assets or changes in net assets as a result of adopting this guidance.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows at December 31, 2021:

| | | |
|-------------------------|----|-------|
| Merage Foundation Grant | \$ | 2,500 |
|-------------------------|----|-------|

Net assets were released from donor restrictions by the passage of time as specified by the donor as follows for the year ended December 31, 2021:

Satisfaction of time restrictions:

| | | |
|---|----|-------|
| Biweekly newsletter; support provided from May 2021 to May 2022 | \$ | 5,000 |
|---|----|-------|

| | | |
|--|-----------|--------------|
| Total net assets released from restriction | <u>\$</u> | <u>5,000</u> |
|--|-----------|--------------|

NOTE 9 – COVID-19

The Organization applied for and was approved for a loan under the Paycheck Protection Program (“PPP”) created as part of the relief efforts related to COVID-19 and administered by the U.S. Small Business Administration. This loan was for \$15,902 and was fully forgiven by the lending institution. This amount is shown in the Statement of Activities as PPP Loan Income for the year ended December 31, 2021.

NOTE 10 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 30, 2022, which is the date the financial statements were available to be issued. There were no events noted that required adjustments to or disclosure in these financial statements.