

# Capita Social, Inc.

Financial Statements

As of and for the Years Ended

December 31, 2022 and 2021

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Financial Statements  
As of and for the Years Ended December 31, 2022 and 2021

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

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

I have reviewed the accompanying financial statements of Capita Social, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Accountant's Responsibility**

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

I am required to be independent of Capita Social, Inc. and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my review.

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### **Accountant's Conclusion**

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### **Report on 2021 Financial Statements**

The 2021 financial statements were audited by me, and I expressed an unmodified opinion on them in my report dated June 30, 2022. I have not performed any auditing procedures since that date. The summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Lynne Q. Jones". The signature is written in a cursive style with a large initial "L".

Greenville, South Carolina  
May 5, 2023

Capita Social, Inc.  
 Statements of Financial Position  
 As of December 31,

<b>Assets</b>	<u>2022</u>	<u>2021</u>
Current assets		
Unrestricted cash	\$ 54,518	\$ 22,099
Restricted cash	<u>273,835</u>	<u>-</u>
Total cash, cash equivalents and restricted cash	328,353	22,099
Investments at fair market value	-	63,919
Accounts receivable	110,000	42,075
Prepaid assets	<u>-</u>	<u>820</u>
Total current assets	438,353	128,913
Total assets	<u><u>\$ 438,353</u></u>	<u><u>\$ 128,913</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	<u>\$ 6,698</u>	<u>\$ 4,800</u>
Total current liabilities	6,698	4,800
Total liabilities	<u>6,698</u>	<u>4,800</u>
<b>Net Assets</b>		
Without donor restrictions	88,324	121,613
With donor restrictions	<u>343,331</u>	<u>2,500</u>
Total net assets	<u>431,655</u>	<u>124,113</u>
Total liabilities and net assets	<u><u>\$ 438,353</u></u>	<u><u>\$ 128,913</u></u>

*See independent accountant's review report*

Capita Social, Inc.  
Statement of Activities  
For the Year Ended December 31, 2022  
(with comparative totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
<b>Revenue and Support</b>				
Corporate and individual giving	\$ 15,824	\$ -	\$ 15,824	\$ 18,744
Knowledge development grants	19,330	-	19,330	-
Membership grants	7,250	-	7,250	-
Other grants and foundation gifts	384,000	543,351	927,351	325,000
Direct consultation income	92,504	-	92,504	106,137
Sponsorship income	-	-	-	9,000
PPP Loan income	-	-	-	15,902
Net assets released from restriction:				
Satisfaction of time restrictions	2,500	(2,500)	-	-
Satisfaction of purpose restrictions	200,020	(200,020)	-	-
Total revenue and support	<u>721,428</u>	<u>340,831</u>	<u>1,062,259</u>	<u>474,783</u>
<b>Expenses</b>				
Program services	552,405	-	552,405	277,616
Management and general	202,312	-	202,312	106,989
Fundraising	-	-	-	-
Total expenses	<u>754,717</u>	<u>-</u>	<u>754,717</u>	<u>384,605</u>
<b>Excess (deficiency) of revenue and support over expenses</b>	<u>(33,289)</u>	<u>340,831</u>	<u>307,542</u>	<u>90,178</u>
Net assets, beginning of year	<u>121,613</u>	<u>2,500</u>	<u>124,113</u>	<u>33,935</u>
Net assets, end of year	<u>\$ 88,324</u>	<u>\$ 343,331</u>	<u>\$ 431,655</u>	<u>\$ 124,113</u>

See independent accountant's review report

Capita Social, Inc.  
Statement of Functional Expenses  
For the Year Ended December 31, 2022

Expenses	Supporting Services			Total
	Program Services	Management and General	Fundraising	
A More Just Child Care Economy	\$ 59,726	\$ -	\$ -	\$ 59,726
Climate Change	91,532	-	-	91,532
Communications and Audience Development	2,500	-	-	2,500
Fostering Long-Term Responsibility	53,162	-	-	53,162
General Content Creation	275	-	-	275
Stretched Social Fabric	72,781	-	-	72,781
Salaries	200,606	33,074	-	233,680
Payroll taxes	10,719	1,781	-	12,500
Employee benefits	3,000	-	-	3,000
Travel and meals	4,002	12,007	-	16,009
Contract labor	54,102	55,681	-	109,783
Capita Revival	-	39,786	-	39,786
Charitable contributions	-	20	-	20
Accounting fees	-	11,695	-	11,695
Legal fees	-	17,663	-	17,663
Printing and office	-	4,574	-	4,574
Professional development	-	1,250	-	1,250
Software	-	6,690	-	6,690
Subscriptions	-	538	-	538
Work from home expenses	-	2,668	-	2,668
Development expenses	-	1,809	-	1,809
Insurance	-	5,957	-	5,957
Other reimbursable expenses, net	-	3,689	-	3,689
Net realized and unrealized losses on investments	-	3,430	-	3,430
	<u>\$ 552,405</u>	<u>\$ 202,312</u>	<u>\$ -</u>	<u>\$ 754,717</u>

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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>

See independent accountant's review report



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

	<u>2022</u>	<u>2021</u>
<b>Cash flows from Operating Activities</b>		
Increase in net assets	\$ 307,542	\$ 90,178
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Forgiveness of PPP Loan (See Note 7)	-	(15,902)
Net realized and unrealized loss on investments	3,430	2,310
Net changes in operating assets and liabilities:		
Accounts receivable	(67,925)	(42,075)
Prepaid assets	820	(820)
Accounts payable	1,898	4,800
Net cash provided by operating activities	<u>245,765</u>	<u>38,491</u>
<b>Investing Activities</b>		
Purchases of investments	-	(70,000)
Proceeds from sales of investments	60,489	40,055
Net cash provided by (used in) investing activities	<u>60,489</u>	<u>(29,945)</u>
<b>Financing Activities</b>		
Proceeds from PPP loan	-	15,902
Net cash provided by financing activities	<u>-</u>	<u>15,902</u>
Net increase in cash and cash equivalents	306,254	24,448
Cash and cash equivalents, beginning of year	<u>22,099</u>	<u>(2,349)</u>
Cash and cash equivalents, end of year	<u>\$ 328,353</u>	<u>\$ 22,099</u>
Unrestricted cash	\$ 54,518	\$ 22,099
Restricted cash	<u>273,835</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 328,353</u>	<u>\$ 22,099</u>

See independent accountant's review report

## 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 Statements 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 Statements 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.

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Capita Social, Inc.  
Notes to Financial Statements  
December 31, 2022 and 2021

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Further, the Organization recognizes contributions in accordance with FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This 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 received no conditional contributions during the years ended December 31, 2022 or 2021.

### 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, 2022 consist of two restricted grants that were in transit at year end. Accounts receivable at December 31, 2021 consist of amounts due from consulting services performed by the Organization during the calendar year for which payment was due but not yet received at that date.

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, 2022 or 2021.

### **Investments**

The Organization's investments are stated at estimated fair market value in the Statements of Financial Position. Changes in unrealized gains and losses are reported in the Statements 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 Statements 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, 2022.

## 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 are classified as either finance or operating, and this distinction is relevant for the pattern of expense recognition in the Statement of Activities. The Organization adopted this standard as of January 1, 2022. It did 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, 2022:

Financial assets at year-end:	
Cash and cash equivalents	\$ 328,353
Accounts receivable	110,000
Less amounts not available to be used within one year:	
Restricted cash	<u>(273,835)</u>
Financial assets available to meet general expenditures within one year:	<u>\$ 164,518</u>

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:	<u>-</u>
Financial assets available to meet general expenditures within one year:	<u>\$ 128,093</u>

#### 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 a small number of grantor agencies for its programs. For the year ended December 31, 2022, two agencies provided 28% and 19% of total support. For the year ended December 31, 2021, two agencies provided 53% and 15% of total support. 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

Sales of investments during the year ended December 31, 2022 resulted in proceeds of \$60,489 and gross realized losses of \$7,143.

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	<u>\$ 64,696</u>	<u>\$ -</u>	<u>\$ 777</u>	<u>\$ 63,919</u>
	<u><u>\$ 64,696</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 777</u></u>	<u><u>\$ 63,919</u></u>

Sales of investments during the year ended December 31, 2021 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, 2022 and 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.



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Notes to Financial Statements  
December 31, 2022 and 2021

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Mutual funds</b>				
<b>Income funds</b>	\$ 63,919	\$ -	\$ -	\$ 63,919
	<u>\$ 63,919</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,919</u>

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 and accrued expenses – 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 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets were released from donor restrictions by the passage of time or by the satisfaction of intended purpose as specified by the donor as follows for the years ended December 31, 2002:

Satisfaction of time restrictions:

    Biweekly newsletter \$ 2,500

Satisfaction of purpose restrictions (Climate Change):

    General – 7.5% of climate funding \$ 37,751

    Employee benefits 3,000

    General content 1,630

    Childcare air quality pilot 3,935

    Early years climate action task force 1,825

    Feasibility study and consulting 325

    Focus groups and survey 68,025

    Senior fellow 8,400

    Travel 3,442

    Staffing 63,087

    Payroll taxes 2,159

    Contract services 6,441

200,020

Total net assets released from restriction \$ 202,520

**NOTE 8 – 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 9 – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through May 5, 2023, 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.