

**COMPASS**  
WORKING CAPITAL

**FINANCIAL STATEMENTS**  
**AUGUST 31, 2021 AND 2020**

**COMPASS WORKING CAPITAL, INC.**

Contents  
August 31, 2021 and 2020

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	<u>Pages</u>
<b>Independent Auditor’s Report</b> .....	1 - 1A
<b>Financial Statements:</b>	
Statements of Financial Position .....	2
Statements of Activities and Changes in Net Assets .....	3
Statements of Cash Flows.....	4
Statements of Functional Expenses .....	5
Notes to Financial Statements .....	6 - 16



50 Washington Street  
Westborough, MA 01581  
508.366.9100  
aafcpcpa.com

## Independent Auditor's Report

To the Board of Directors of  
Compass Working Capital, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Compass Working Capital, Inc. (a Massachusetts corporation, not for profit), which comprise the statement of financial position as of August 31, 2021, and the statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

### ***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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Compass Working Capital, Inc. as of August 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.

**Prior Period Financial Statements**

The financial statements of Compass Working Capital, Inc. as of and for the year ended August 31, 2020, were audited by other auditors whose report dated December 14, 2020, expressed an unmodified opinion on those fiscal year 2020 financial statements.

*AAFCPA, Inc.*

Westborough, Massachusetts  
December 14, 2021

**COMPASS WORKING CAPITAL, INC.**Statements of Financial Position  
August 31, 2021 and 2020

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Current Assets:		
Operating cash	\$ 3,192,359	\$ 3,175,710
Current portion of restricted cash	709,661	3,126,394
Accounts receivable - program services	350,496	144,494
Current portion of grants and contributions receivable	922,109	468,689
Prepaid expenses, deposits and other	165,637	101,257
Total current assets	5,340,262	7,016,544
Grants and Contributions Receivable, net	229,771	247,198
Restricted Cash, net of current portion	1,400,000	1,263,465
Property and Equipment, net	261,962	283,651
Total assets	<u>\$ 7,231,995</u>	<u>\$ 8,810,858</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 190,785	\$ 161,968
Accrued payroll and related costs	162,739	100,976
Deferred revenue	-	72,570
Current portion of conditional grant advance	600,000	2,700,000
Total current liabilities	953,524	3,035,514
Conditional Grant Advance, net of current portion	-	600,000
Total liabilities	<u>953,524</u>	<u>3,635,514</u>
Net Assets:		
Without donor restrictions:		
Operating	3,354,968	3,090,664
Board designated	1,400,000	663,465
Property and equipment	261,962	283,651
Total without donor restrictions	5,016,930	4,037,780
With donor restrictions	1,261,541	1,137,564
Total net assets	<u>6,278,471</u>	<u>5,175,344</u>
Total liabilities and net assets	<u>\$ 7,231,995</u>	<u>\$ 8,810,858</u>

The accompanying notes are an integral part of these statements.

Page 2

**COMPASS WORKING CAPITAL, INC.**

Statements of Activities and Changes in Net Assets  
For the Years Ended August 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support:</b>						
Grants and contributions	\$ 4,103,344	\$ 1,612,886	\$ 5,716,230	\$ 3,928,271	\$ 1,194,282	\$ 5,122,553
Program service revenues:						
Financial coaching programs	1,691,955	-	1,691,955	1,228,680	-	1,228,680
Subscription revenue	44,750	-	44,750	20,350	-	20,350
Technical assistance revenue	3,091	-	3,091	53,430	-	53,430
Interest and other	80,131	-	80,131	137,516	-	137,516
In-kind goods and services	9,328	-	9,328	106,743	-	106,743
Net assets released from restrictions	1,488,909	(1,488,909)	-	1,841,826	(1,841,826)	-
<b>Total revenue and support</b>	<b>7,421,508</b>	<b>123,977</b>	<b>7,545,485</b>	<b>7,316,816</b>	<b>(647,544)</b>	<b>6,669,272</b>
<b>Expenses:</b>						
Program services	4,814,858	-	4,814,858	3,227,878	-	3,227,878
General and administrative	1,254,500	-	1,254,500	1,275,957	-	1,275,957
Fundraising	373,000	-	373,000	440,148	-	440,148
<b>Total expenses</b>	<b>6,442,358</b>	<b>-</b>	<b>6,442,358</b>	<b>4,943,983</b>	<b>-</b>	<b>4,943,983</b>
<b>Changes in net assets</b>	<b>979,150</b>	<b>123,977</b>	<b>1,103,127</b>	<b>2,372,833</b>	<b>(647,544)</b>	<b>1,725,289</b>
<b>Net Assets:</b>						
Beginning of year	4,037,780	1,137,564	5,175,344	1,664,947	1,785,108	3,450,055
End of year	\$ 5,016,930	\$ 1,261,541	\$ 6,278,471	\$ 4,037,780	\$ 1,137,564	\$ 5,175,344

**COMPASS WORKING CAPITAL, INC.**

## Statements of Cash Flows

For the Years Ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 1,103,127	\$ 1,725,289
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	87,585	43,521
Donated property and equipment	-	(50,000)
Change in discount on grants and contributions receivable	3,919	(12,739)
Changes in operating assets and liabilities:		
Accounts receivable - program services	(206,002)	33,009
Grants and contributions receivable	(439,912)	584,190
Prepaid expenses, deposits and other	(64,380)	(64,098)
Accounts payable and accrued expenses	28,817	31,952
Accrued payroll and related costs	61,763	65,705
Deferred revenue	(72,570)	61,949
Conditional grant advance	<u>(2,700,000)</u>	<u>3,300,000</u>
Net cash provided by (used in) operating activities	(2,197,653)	5,718,778
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property and equipment	<u>(65,896)</u>	<u>(174,533)</u>
<b>Net Change in Cash and Restricted Cash</b>	(2,263,549)	5,544,245
<b>Cash and Restricted Cash:</b>		
Beginning of year	<u>7,565,569</u>	<u>2,021,324</u>
End of year	<u>\$ 5,302,020</u>	<u>\$ 7,565,569</u>
<b>Reconciliation of Cash and Restricted Cash Reported Within the Statements of Financial Position:</b>		
Operating cash	\$ 3,192,359	\$ 3,175,710
Restricted cash	<u>2,109,661</u>	<u>4,389,859</u>
Total cash and restricted cash	<u>\$ 5,302,020</u>	<u>\$ 7,565,569</u>

**COMPASS WORKING CAPITAL, INC.**

 Statements of Functional Expenses  
 For the Years Ended August 31, 2021 and 2020

	2021				2020			
	Program Services	General and Administrative	Fund-raising	Total	Program Services	General and Administrative	Fund-raising	Total
<b>Personnel and Related:</b>								
Salaries and wages	\$ 2,417,839	\$ 662,348	\$ 276,270	\$ 3,356,457	\$ 1,653,190	\$ 708,455	\$ 315,812	\$ 2,677,457
Employee benefits	286,033	78,858	31,986	396,877	150,262	64,428	28,522	243,212
Payroll taxes	204,873	56,527	23,479	284,879	134,107	57,483	25,498	217,088
Total personnel and related	2,908,745	797,733	331,735	4,038,213	1,937,559	830,366	369,832	3,137,757
<b>Other:</b>								
Contracted coaching services	781,731	-	-	781,731	526,726	-	-	526,726
Professional fees, including in-kind	317,992	311,802	2,548	632,342	172,738	253,314	7,417	433,469
Contracted evaluation and research services	215,434	-	-	215,434	100,332	-	-	100,332
Telecommunications, computers and software	131,124	70,955	8,814	210,893	87,839	56,041	8,716	152,596
Rent and utilities	115,276	24,884	11,120	151,280	93,135	39,040	13,709	145,884
Information technology services	98,998	13,187	4,432	116,617	63,940	15,124	5,334	84,398
Client outreach and assistance	46,302	-	-	46,302	45,689	-	-	45,689
Conferences, meetings and travel	27,887	53	2,563	30,503	56,470	3,052	13,796	73,318
Marketing, postage and printing	23,379	2,803	1,083	27,265	21,679	4,501	2,499	28,679
Staff development and training	19,243	5,168	870	25,281	35,510	11,266	5,088	51,864
Workshops and other program activities	20,616	-	-	20,616	15,472	-	-	15,472
Supplies and equipment	16,109	1,907	1,744	19,760	26,321	5,435	2,007	33,763
Insurance	15,884	2,371	453	18,708	9,084	3,345	314	12,743
Bank fees, filing fees and dues	2,673	4,525	3,302	10,500	1,900	5,497	2,855	10,252
In-kind goods and services	-	9,328	-	9,328	-	41,528	5,992	47,520
Total other	1,832,648	446,983	36,929	2,316,560	1,256,835	438,143	67,727	1,762,705
Total expenses before depreciation	4,741,393	1,244,716	368,664	6,354,773	3,194,394	1,268,509	437,559	4,900,462
<b>Depreciation</b>	73,465	9,784	4,336	87,585	33,484	7,448	2,589	43,521
Total expenses	\$ 4,814,858	\$ 1,254,500	\$ 373,000	\$ 6,442,358	\$ 3,227,878	\$ 1,275,957	\$ 440,148	\$ 4,943,983

The accompanying notes are an integral part of these statements.



## COMPASS WORKING CAPITAL, INC.

Notes to Financial Statements  
August 31, 2021 and 2020

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### 1. OPERATIONS AND NONPROFIT STATUS

Compass Working Capital, Inc. (Compass) is a nonprofit organization that provides financial coaching and savings programs that supports families with low incomes to build assets, achieve their financial goals, and become financially secure. The broader vision is to build a leading, nonprofit financial services organization that promotes economic mobility and financial security for families with low incomes by influencing field-related practice and policy. Compass was incorporated on December 30, 2005, in the Commonwealth of Massachusetts and began operating as an independent 501(c)(3). Compass' work builds on the research and practice of a broader asset-building field, which has demonstrated the importance of supporting families with low incomes to build savings and assets as a pathway out of poverty. Key program services are summarized below.

#### *Family Self-Sufficiency (FSS) Program*

Since 2010, Compass has partnered with public housing agencies and private owners of affordable housing to develop and implement an asset-building and financial capability model for the family self-sufficiency (FSS) program, a historically underutilized savings and employment program overseen by the U.S. Department of Housing and Urban Development (HUD). Congress established the FSS program in 1990 as an employment and savings program for residents of federally subsidized housing. Families receiving this assistance typically pay 30% of their income towards rent. This structure inadvertently discourages some residents from increasing their work hours and earnings since they worry about paying more rent and losing other benefits if their income increases. The FSS model removes this disincentive by allowing participants to capture their increased rent payments in a savings account, held by the housing provider, which can be accessed upon completion of the program. Participants can utilize their savings to achieve their financial goals.

The Compass FSS model integrates financial coaching and other asset-building strategies into the FSS program, with the goal of promoting economic mobility and financial security for participating families. The first model of its kind in the country, the Compass FSS program is currently offered through partnership with public housing authorities and nonprofit housing organizations in Massachusetts, Connecticut, Pennsylvania, Rhode Island, Missouri, and Washington, DC. The Compass FSS program has attracted local and national attention as a scalable, housing-based model to support families with low incomes to build assets, achieve their goals, and become more financially secure.

#### *National Field-Building*

Since 2016, Compass has also worked to build the field of FSS practitioners and other stakeholders nationally. Currently, Compass manages an online learning platform and community called Compass FSS Link, which provides FSS practitioners with access to resources for FSS program management and financial coaching, training and opportunities to connect with other FSS practitioners across the country. Compass also provides training and technical assistance on its model for the FSS program to other organizations that are interested in implementing the program. Additionally, Compass hosts a biennial national conference on the FSS program.

## COMPASS WORKING CAPITAL, INC.

Notes to Financial Statements  
August 31, 2021 and 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Recently Adopted Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and requires the reporting entity to recognize revenues when control of promised goods or services is transferred to customers and at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On September 1, 2020, Compass adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of September 1, 2020 (the practical expedient elected). Results for reporting periods beginning after September 1, 2020, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with Compass' historic accounting under Topic 605. There were no material changes in the timing of recognition of revenue and, therefore, there was no adjustment to the opening balance of net assets as a result of adopting Topic 606.

#### Basis of Presentation

Compass prepares its financial statements in accordance with generally accepted accounting standards and principles established by the FASB. References to U.S. Generally Accepted Accounting Principles (U.S. GAAP) in these notes are to the FASB Accounting Standards Codification (ASC).

#### Income Taxes

Compass accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. Compass has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at August 31, 2021 and 2020. Compass' information returns are subject to examination by Federal and state jurisdictions.

#### Accounts Receivable - Program Services

Accounts receivable - program services represent amounts due in connection with financial coaching program service revenues and are due from housing authorities pursuant to FSS contracts. Management believes that all receivables are collectible and, therefore, no allowance for doubtful accounts was deemed necessary as of August 31, 2021 and 2020.

#### Grants and Contributions Receivable

Grants and contributions receivable represent the balance due on grants and multi-year commitments. Amounts scheduled for receipt within one year are reported as current, and amounts are reported as non-current when the expected date of receipt exceeds one year.

Promises to give with expected payment dates that extend beyond one year are discounted to their present value. Management believes that all receivables are collectible and, therefore, no allowance for doubtful accounts was deemed necessary as of August 31, 2021 and 2020.

## COMPASS WORKING CAPITAL, INC.

Notes to Financial Statements  
August 31, 2021 and 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Net Assets

##### Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by Compass. Compass has grouped its net assets without donor restrictions into the following categories:

*Operating net assets* represent funds available to carry on the operations of Compass.

*Board designated net assets* represent reserve funds approved by the Board of Directors. The funds can be used with authorization from the Board of Directors, but Compass has no intention of using the funds unless necessary.

*Property and equipment net assets* represent the net book value of Compass' property and equipment.

##### Net Assets With Donor Restrictions

Net assets with donor restrictions are donor-restricted grants and contributions that are designated by donors for a specific purpose or for a specified time period. Grants and contributions are recorded as net assets with donor restrictions until they have been expended for their designated purpose or the time restrictions have lapsed.

Net assets with donor restrictions consist of the following at August 31:

	<u>2021</u>	<u>2020</u>
Purpose restricted:		
Expansion	\$ 601,785	\$ 281,028
Direct FSS service sites	319,074	712,458
Other purpose	46,520	32,751
Time restricted	<u>294,162</u>	<u>111,327</u>
Total	<u>\$ 1,261,541</u>	<u>\$ 1,137,564</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended August 31:

	<u>2021</u>	<u>2020</u>
Purpose restricted:		
Expansion	\$ 615,644	\$ 248,930
Direct FSS service sites	509,741	1,194,341
Other purpose	274,186	255,306
Time restricted	<u>89,338</u>	<u>143,249</u>
Total	<u>\$ 1,488,909</u>	<u>\$ 1,841,826</u>

#### Operating Cash

Operating cash in the accompanying statements of financial position and for purposes of the statements of cash flows, consists of cash on hand in Compass' checking, savings and money market accounts.

## COMPASS WORKING CAPITAL, INC.

Notes to Financial Statements  
August 31, 2021 and 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Restricted Cash

Restricted cash consists of cash received that is restricted for a specific purpose or time period by a donor or funder, as well as funds set aside by the Board of Directors for long-term purposes (see page 8). Restricted cash at August 31, 2021 and 2020, also includes cash received in connection with Compass' conditional grants (see Note 5).

#### Revenue Recognition

##### Grants and Contributions

In accordance with ASC Subtopic 958-605: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, Compass must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or another measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that Compass should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. See Note 5 for disclosure of Compass' conditional grants at August 31, 2021 and 2020.

Grants and contributions without donor restrictions are recorded as revenue when received or unconditionally pledged. Revenues from donor restricted grants and contributions are recorded as revenue and net assets with donor restrictions when Compass receives a commitment. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions as costs are incurred or time restrictions have lapsed.

##### *Financial Coaching Programs*

Financial Coaching Programs primarily consist of revenue derived from contracts with public housing agencies and private owners of affordable housing to develop and administer Compass' FSS programs. Revenue is recognized as eligible expenditures are incurred, or as deliverable services are provided under the terms of the grant or contract.

##### Revenue from Contracts with Customers

Compass generally measures revenue for qualifying exchange transactions based on the amount of consideration Compass expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as Compass satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. Compass evaluates its revenue from contracts with customers based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

## COMPASS WORKING CAPITAL, INC.

Notes to Financial Statements  
August 31, 2021 and 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition (Continued)

##### Revenue from Contracts with Customers (Continued)

###### *Subscription Revenue*

Compass sells subscriptions to housing authorities and other organizations for access to its FSS Link portal. Subscriptions run on an annual basis, and revenue is recognized when the membership is purchased or renewed.

###### *Technical Assistance*

Technical assistance revenue consists of consulting services provided to housing agencies and other organizations. Revenue is recognized ratably over the course of the agreement based upon the number of days of services provided.

##### Interest and Other Income

Interest and other income is recorded when earned.

#### Deferred Revenue

Compass occasionally receives funds in advance on coaching contracts, annual license fees for national network members, and registration fees for an annual national network conference. Payments received in advance are recorded as deferred revenue in the accompanying statements of financial position. As of August 31, 2020, deferred revenue totaled \$72,570. There was no deferred revenue as of August 31, 2021.

#### Property and Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at fair market value at the time of donation. Compass capitalizes assets with a cost in excess of \$5,000 and a useful life of at least one year. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred (see Note 4).

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	5 years
Furniture and equipment	5 years
Computer software and website	3 years

#### Estimates

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

## COMPASS WORKING CAPITAL, INC.

Notes to Financial Statements  
August 31, 2021 and 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Expense Allocation

Expenses related directly to a function are distributed to the function, while other indirect expenses are allocated based upon management's estimate of the percentage attributable to the function.

The financial statements contain certain categories of expenses that are attributable to program and supporting functions; therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, employee benefits and payroll taxes, staff development and training, rent and utilities, insurance, depreciation and amortization, information technology services, supplies and equipment, telecommunications, computers, and software, and marketing, postage and printing, which are allocated based on an estimate of time and level of effort by function.

#### Fair Value Measurements

Compass follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that Compass would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

Compass uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of Compass. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable, and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

#### In-Kind Goods and Services

Compass receives donated goods and services. The value of these donated goods and services is based upon the estimated value assigned to them by the donor.

## COMPASS WORKING CAPITAL, INC.

Notes to Financial Statements  
August 31, 2021 and 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Subsequent Events

Subsequent events have been evaluated through December 14, 2021, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

### 3. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable are due as follows at August 31:

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 922,109	\$ 468,689
Due in two to five years	<u>240,984</u>	<u>254,492</u>
	1,163,093	723,181
Less - discount	<u>11,213</u>	<u>7,294</u>
	1,151,880	715,887
Less - current portion	<u>922,109</u>	<u>468,689</u>
	\$ <u>229,771</u>	\$ <u>247,198</u>

### 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31:

	<u>2021</u>	<u>2020</u>
Computer software and website	\$ 229,011	\$ 159,417
Leasehold improvements	194,247	194,247
Furniture and equipment	<u>136,017</u>	<u>142,742</u>
	559,275	496,406
Less - accumulated depreciation	<u>297,313</u>	<u>212,755</u>
	\$ <u>261,962</u>	\$ <u>283,651</u>

Depreciation expense was \$87,585 and \$43,521 for the years ended August 31, 2021 and 2020, respectively.

### 5. CONDITIONAL GRANTS

Compass receives grants from organizations that are conditional upon Compass meeting certain performance criteria or the donor approving satisfactory progress on a specific program. As such, these grants are not recognized until Compass has met the performance criteria or received donor approval of satisfactory progress.

## COMPASS WORKING CAPITAL, INC.

Notes to Financial Statements  
August 31, 2021 and 2020

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### 5. CONDITIONAL GRANTS (Continued)

At August 31, 2021 and 2020, Compass had the following conditional grants:

	<u>Award</u>	<u>Conditions Met 2020</u>	<u>Balance at August 31, 2020</u>	<u>Conditions Met 2021</u>	<u>Balance at August 31, 2021</u>
Organization A	\$ 6,000,000	\$ 2,700,000	\$ 3,300,000	\$ 2,700,000	\$ 600,000
Organization B	1,000,000	350,000	75,000	62,500	12,500
Organization C	100,000	50,000	50,000	50,000	-
Organization D	50,000	-	-	50,000	-
	<u>\$ 7,150,000</u>	<u>\$ 3,100,000</u>	<u>\$ 3,425,000</u>	<u>\$ 2,862,500</u>	<u>\$ 612,500</u>

Conditional grant advances of \$600,000 and \$3,300,000 at August 31, 2021 and 2020, respectively, are from Organization A and are included in restricted cash and conditional grant advances in the accompanying statements of financial position. The remaining conditional grants are expected to be earned during fiscal year 2022.

### 6. IN-KIND GOODS AND SERVICES

In-kind goods and services are reflected as in-kind revenue and expense in the accompanying financial statements, and are as follows for the years ended August 31:

	<u>2021</u>	<u>2020</u>
Legal services	\$ 9,328	\$ 41,528
Leasehold improvements and office equipment	-	50,000
Professional fees	-	9,223
Supplies	-	5,992
Total	<u>\$ 9,328</u>	<u>\$ 106,743</u>

For the year ended August 31, 2020, leasehold improvements and office equipment includes donated goods and services that were capitalized and included in property and equipment in the accompanying fiscal year 2020 statement of financial position.

### 7. LEASES

#### Boston Office

Compass occupies office space in Boston, Massachusetts. In April 2020, Compass amended the existing lease agreement to expand its office space and extend the lease term through September 2026. Monthly payments under the amended agreement range from \$10,989 to \$12,363. Rent expense related to the Boston office was \$135,650 and \$111,964 for the years ended August 31, 2021 and 2020, respectively, and is included in rent and utilities in the accompanying statements of functional expenses.

#### Lynn Office

Compass occupied office space in Lynn, Massachusetts, with an original lease expiration date of January 31, 2021, but terminated the lease early, effective October 1, 2020. Monthly rent payments under the lease agreement were \$1,550. Rent expense related to the Lynn office was \$1,550 and \$18,600 for the years ended August 31, 2021 and 2020, respectively, and is included in rent and utilities in the accompanying statements of functional expenses.



## COMPASS WORKING CAPITAL, INC.

Notes to Financial Statements  
August 31, 2021 and 2020

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### 7. LEASES (Continued)

#### Equipment

Compass leases office equipment under various agreements, which expire through December 2024. Total lease expense under these agreements was \$11,076 and \$10,064 for the years ended August 31, 2021 and 2020, respectively.

Future minimum lease payments are as follows:

<u>Fiscal Year</u>	
2022	\$ 147,677
2023	147,360
2024	147,703
2025	149,169
2026	148,356
2027	<u>12,363</u>
Total	<u>\$ 752,628</u>

### 8. LINE OF CREDIT

Compass holds a \$250,000 business line of credit with a bank. Borrowings under this agreement are due on demand, with interest payable monthly at the bank's base rate, plus 1.5% (4.75% at August 31, 2021 and 2020). The line of credit is secured by substantially all of Compass' business assets. There were no amounts drawn on the line of credit during fiscal years 2021 and 2020.

### 9. EMPLOYER RETIREMENT PLAN

Compass offers a qualified 401(k) retirement plan (the Plan). The Plan allows eligible employees of Compass to defer a percentage of their earnings from current taxation. Under the Plan, Compass makes a matching contribution of up to 3% of gross salary for each employee who contributes to the Plan. For the years ended August 31, 2021 and 2020, the employer contributions to the Plan were \$86,019 and \$61,736, respectively, and are included in employee benefits in the accompanying statements of functional expenses.

### 10. EMPLOYMENT ARRANGEMENT

During fiscal years 2021 and 2020, Compass was party to a co-employment agreement with a payroll services company (the Company) for the purpose of outsourcing Compass's human resource function, including employee benefits administration, payroll processing, tax remittance, reporting and workers compensation coverage. Accordingly, the Company serves as the employer of record, while Compass continues to direct the day-to-day duties and activities of its employees. For purposes of financial and tax reporting, Compass continues to report and track the components of its personnel costs, maintaining the integrity of the specific line items as required for external reporting.

Effective January 1, 2021, Compass ended its relationship with the Company and became a party to a co-employment agreement with another organization.

## COMPASS WORKING CAPITAL, INC.

Notes to Financial Statements  
August 31, 2021 and 2020

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### 11. CONCENTRATION OF CREDIT RISK AND FUNDING

#### Cash

Compass maintains their cash balances in Massachusetts banks, which are insured with the limits of the Federal Deposit Insurance Corporation (FDIC). Compass holds its excess cash balances in accounts which are fully insured by the Depositors Insurance Fund (DIF). At times during the year, cash balances exceeded the insured amounts. Compass has not experienced any losses in such accounts. Compass' management believes that it is not exposed to any significant credit risk on cash.

#### Funding

Funding agencies and donors exceeding 10% of Compass' operating revenue and support or grants and contributions receivable as of and for the years ended August 31, 2021 and 2020, are as follows:

	<b>Grants and Contributions Receivable</b>		<b>Operating Revenue and Support</b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Donor A	13%	5%	2%	- %
Donor B	52%	22%	13%	5%
Donor C	13%	39%	1%	- %
Donor D	7%	23%	- %	- %

Funding agencies exceeding 10% of Compass' operating revenue and support or accounts receivable as of and for the years ended August 31, 2021 and 2020, are as follows:

	<b>Accounts Receivable - Program Services</b>		<b>Operating Revenue and Support</b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Funding Agency A	26%	- %	2%	- %
Funding Agency B	16%	8%	3%	2%
Funding Agency C	13%	15%	3%	5%
Funding Agency D	26%	47%	6%	6%
Funding Agency E	7%	12%	3%	3%

## COMPASS WORKING CAPITAL, INC.

Notes to Financial Statements  
August 31, 2021 and 2020

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### 12. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Compass' financial assets available within one year from the statements of financial position date for general operating purposes are as follows as of August 31:

	<u>2021</u>	<u>2020</u>
Operating cash	\$ 3,192,359	\$ 3,175,710
Restricted cash	709,661	3,126,394
Accounts receivable - program services	350,496	144,494
Grants and contributions receivable	<u>922,109</u>	<u>468,689</u>
	5,174,625	6,915,287
Less - conditional grant advances (see Note 5)	-	(600,000)
Less - donor restricted for a specific purpose and time restricted for use beyond one year	<u>(1,031,770)</u>	<u>(890,366)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,142,855</u>	<u>\$ 5,424,921</u>

As part of Compass' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Board designated fund is available upon authorization from the Board of Directors. Compass also has access to a \$250,000 business line of credit (see Note 8) that can be drawn upon as needed to cover operating costs. As of August 31, 2021 and 2020, Compass has financial assets equal to approximately eight and thirteen months of operating expenses (excluding in-kind and depreciation and amortization), respectively.

### 13. RELATED PARTY TRANSACTIONS

Two members of Compass' Board of Directors are employed by organizations with which Compass receives funding through contract and grant agreements. For the years ended August 31, 2021 and 2020, \$150,500 and \$350,000, respectively, was recognized as revenue from these organizations.

### 14. CONTINGENCY

During fiscal year 2020, COVID-19 was recognized as a global pandemic and continued through fiscal year 2021. The impact of COVID-19 on Compass' future operations will depend upon, among other things, the duration, spread and intensity of the pandemic; related government responses, such as required physical distancing; restrictions on business operations and travel; the pace of recovery of economic activity; and the impact to consumers, all of which are uncertain and impossible to predict. The financial impact to Compass, if any, cannot be reasonably estimated at this time.

### 15. RECLASSIFICATIONS

Certain amounts in the fiscal year 2020 financial statements have been reclassified to conform to the fiscal year 2021 presentation.