

**COMPASS**  
WORKING CAPITAL

**FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

**COMPASS WORKING CAPITAL, INC.**

Contents  
August 31, 2022 and 2021

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## Independent Auditor's Report

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

### **Opinion**

We have audited the financial statements of Compass Working Capital, Inc. (a Massachusetts nonprofit corporation) (Compass), which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Compass Working Capital, Inc. as of August 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Compass and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Compass' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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.

## **Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

In performing an audit in accordance with GAAS, 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 Compass' 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 Compass' 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.

*AAFCPA, Inc.*

Westborough, Massachusetts  
December 15, 2022

**COMPASS WORKING CAPITAL, INC.**Statements of Financial Position  
August 31, 2022 and 2021

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Current Assets:		
Operating cash	\$ 2,695,649	\$ 3,192,359
Current portion of restricted cash	552,221	709,661
Accounts receivable - program services	196,961	350,496
Current portion of grants and contributions receivable	941,973	922,109
Prepaid expenses, deposits and other	134,409	165,637
Total current assets	4,521,213	5,340,262
Grants and Contributions Receivable, net	641,042	229,771
Restricted Cash, net of current portion	1,405,764	1,400,000
Property and Equipment, net	354,221	261,962
Total assets	<u>\$ 6,922,240</u>	<u>\$ 7,231,995</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 210,662	\$ 190,785
Accrued payroll and related costs	158,082	162,739
Conditional grant advances	180,000	600,000
Total current liabilities	548,744	953,524
Net Assets:		
Without donor restrictions:		
Operating	2,658,275	3,354,968
Board designated	1,405,764	1,400,000
Property and equipment	354,221	261,962
Total without donor restrictions	4,418,260	5,016,930
With donor restrictions	1,955,236	1,261,541
Total net assets	6,373,496	6,278,471
Total liabilities and net assets	<u>\$ 6,922,240</u>	<u>\$ 7,231,995</u>

The accompanying notes are an integral part of these statements.

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**COMPASS WORKING CAPITAL, INC.**

Statements of Activities and Changes in Net Assets  
For the Years Ended August 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support:</b>						
Grants and contributions	\$ 2,092,796	\$ 2,959,164	\$ 5,051,960	\$ 4,103,344	\$ 1,612,886	\$ 5,716,230
Program service revenues:						
Financial coaching programs	1,776,149	-	1,776,149	1,691,955	-	1,691,955
Subscription revenue	86,421	-	86,421	44,750	-	44,750
Technical assistance revenue	-	-	-	3,091	-	3,091
Interest and other	32,925	-	32,925	80,131	-	80,131
In-kind services	10,110	-	10,110	9,328	-	9,328
Net assets released from restrictions	2,265,469	(2,265,469)	-	1,488,909	(1,488,909)	-
<b>Total revenue and support</b>	<b>6,263,870</b>	<b>693,695</b>	<b>6,957,565</b>	<b>7,421,508</b>	<b>123,977</b>	<b>7,545,485</b>
<b>Expenses:</b>						
Program services	5,060,951	-	5,060,951	4,814,858	-	4,814,858
General and administrative	1,405,784	-	1,405,784	1,254,500	-	1,254,500
Fundraising	395,805	-	395,805	373,000	-	373,000
<b>Total expenses</b>	<b>6,862,540</b>	<b>-</b>	<b>6,862,540</b>	<b>6,442,358</b>	<b>-</b>	<b>6,442,358</b>
<b>Changes in net assets</b>	<b>(598,670)</b>	<b>693,695</b>	<b>95,025</b>	<b>979,150</b>	<b>123,977</b>	<b>1,103,127</b>
<b>Net Assets:</b>						
Beginning of year	5,016,930	1,261,541	6,278,471	4,037,780	1,137,564	5,175,344
End of year	\$ 4,418,260	\$ 1,955,236	\$ 6,373,496	\$ 5,016,930	\$ 1,261,541	\$ 6,278,471

**COMPASS WORKING CAPITAL, INC.**Statements of Cash Flows  
For the Years Ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 95,025	\$ 1,103,127
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	103,275	87,585
Change in discount on grants and contributions receivable	56,261	3,919
Changes in operating assets and liabilities:		
Accounts receivable - program services	153,535	(206,002)
Grants and contributions receivable	(487,396)	(439,912)
Prepaid expenses, deposits and other	31,228	(64,380)
Accounts payable and accrued expenses	19,877	28,817
Accrued payroll and related costs	(4,657)	61,763
Conditional grant advances	(420,000)	(2,700,000)
Deferred revenue	-	(72,570)
	<u>(452,852)</u>	<u>(2,197,653)</u>
Net cash used in operating activities	(452,852)	(2,197,653)
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property and equipment	<u>(195,534)</u>	<u>(65,896)</u>
<b>Net Change in Cash and Restricted Cash</b>	(648,386)	(2,263,549)
<b>Cash and Restricted Cash:</b>		
Beginning of year	<u>5,302,020</u>	<u>7,565,569</u>
End of year	<u>\$ 4,653,634</u>	<u>\$ 5,302,020</u>
<b>Reconciliation of Cash and Restricted Cash Reported Within the Statements of Financial Position:</b>		
Operating cash	\$ 2,695,649	\$ 3,192,359
Restricted cash	<u>1,957,985</u>	<u>2,109,661</u>
Total cash and restricted cash	<u>\$ 4,653,634</u>	<u>\$ 5,302,020</u>

COMPASS WORKING CAPITAL, INC.

Statements of Functional Expenses  
For the Years Ended August 31, 2022 and 2021

	2022				2021			
	Program Services	General and Administrative	Fund-raising	Total	Program Services	General and Administrative	Fund-raising	Total
<b>Personnel and Related:</b>								
Salaries and wages	\$ 2,678,111	\$ 749,161	\$ 283,689	\$ 3,710,961	\$ 2,417,839	\$ 662,348	\$ 276,270	\$ 3,356,457
Employee benefits	354,452	89,234	26,886	470,572	286,033	78,858	31,986	396,877
Payroll taxes	228,539	67,366	24,171	320,076	204,873	56,527	23,479	284,879
Total personnel and related	3,261,102	905,761	334,746	4,501,609	2,908,745	797,733	331,735	4,038,213
<b>Other:</b>								
Contracted coaching services	872,771	-	-	872,771	781,731	-	-	781,731
Professional fees, including in-kind	306,773	267,053	2,036	575,862	317,992	321,130	2,548	641,670
Telecommunications, computers and software	94,224	84,972	5,710	184,906	131,124	70,955	8,814	210,893
Rent and utilities	117,348	24,127	6,945	148,420	115,276	24,884	11,120	151,280
Information technology services	68,428	76,146	743	145,317	98,998	13,187	4,432	116,617
Contracted evaluation and research services	100,497	-	-	100,497	215,434	-	-	215,434
Conferences, meetings and travel	7,710	14,425	37,263	59,398	27,887	53	2,563	30,503
Client outreach and assistance	59,372	-	-	59,372	46,302	-	-	46,302
Marketing, postage and printing	24,674	3,202	1,234	29,110	23,379	2,803	1,083	27,265
Insurance	13,608	13,326	-	26,934	15,884	2,371	453	18,708
Workshops and other program activities	23,712	-	-	23,712	20,616	-	-	20,616
Supplies and equipment	13,714	1,212	491	15,417	16,109	1,907	1,744	19,760
Bank fees, filing fees and dues	2,869	6,664	4,361	13,894	2,673	4,525	3,302	10,500
Staff development and training	1,426	512	108	2,046	19,243	5,168	870	25,281
Total other	1,707,126	491,639	58,891	2,257,656	1,832,648	446,983	36,929	2,316,560
Total expenses before depreciation	4,968,228	1,397,400	393,637	6,759,265	4,741,393	1,244,716	368,664	6,354,773
<b>Depreciation</b>	92,723	8,384	2,168	103,275	73,465	9,784	4,336	87,585
Total expenses	\$ 5,060,951	\$ 1,405,784	\$ 395,805	\$ 6,862,540	\$ 4,814,858	\$ 1,254,500	\$ 373,000	\$ 6,442,358

The accompanying notes are an integral part of these statements.



## COMPASS WORKING CAPITAL, INC.

Notes to Financial Statements  
August 31, 2022 and 2021

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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, D.C. 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, 2022 and 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Recently Adopted Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU did not change the recognition and measurement requirements of in-kind services.

In fiscal year 2022, Compass adopted ASU 2020-07. The adoption of this ASU did not impact Compass' net asset classes, results of operations, or cash flows for the year ended August 31, 2022. This ASU has been applied retrospectively to all periods presented.

#### 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, 2022 and 2021. 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 and multifamily owners 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, 2022 and 2021. The balance of accounts receivable - program services was \$144,494 at July 1, 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, 2022 and 2021.

## COMPASS WORKING CAPITAL, INC.

Notes to Financial Statements  
August 31, 2022 and 2021

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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>2022</u>	<u>2021</u>
Purpose restricted:		
Direct FSS service sites	\$ 264,059	\$ 319,074
Expansion	197,454	601,785
Other purpose	6,707	46,520
Time restricted	<u>1,487,016</u>	<u>294,162</u>
Total	<u>\$ 1,955,236</u>	<u>\$ 1,261,541</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>2022</u>	<u>2021</u>
Purpose restricted:		
Direct FSS service sites	\$ 1,420,053	\$ 509,741
Expansion	404,330	615,644
Other purpose	144,238	274,186
Time restricted	<u>296,848</u>	<u>89,338</u>
Total	<u>\$ 2,265,469</u>	<u>\$ 1,488,909</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, 2022 and 2021

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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, 2022 and 2021, 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, 2022 and 2021.

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, 2022 and 2021

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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 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, 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. There was no deferred revenue as of August 31, 2022 and 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, 2022 and 2021

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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.

## COMPASS WORKING CAPITAL, INC.

Notes to Financial Statements  
August 31, 2022 and 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### In-Kind Services

Compass receives donated services. Compass recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Services are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donating volunteers, companies or by management (see Note 6).

#### Subsequent Events

Subsequent events have been evaluated through December 15, 2022, 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>2022</u>	<u>2021</u>
Due within one year	\$ 941,973	\$ 922,109
Due in two to five years	<u>708,516</u>	<u>240,984</u>
	1,650,489	1,163,093
Less - discount	<u>67,474</u>	<u>11,213</u>
Total grant and contributions receivable, net of discount	1,583,015	1,151,880
Less - current portion	<u>941,973</u>	<u>922,109</u>
Total grant and contributions receivable, net of current portion and discount	<u>\$ 641,042</u>	<u>\$ 229,771</u>

### 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31:

	<u>2022</u>	<u>2021</u>
Computer software and website	\$ 424,545	\$ 229,011
Leasehold improvements	194,247	194,247
Furniture and equipment	<u>136,017</u>	<u>136,017</u>
	754,809	559,275
Less - accumulated depreciation	<u>400,588</u>	<u>297,313</u>
Property and equipment, net	<u>\$ 354,221</u>	<u>\$ 261,962</u>

Depreciation expense was \$103,275 and \$87,585 for the years ended August 31, 2022 and 2021, respectively.

**COMPASS WORKING CAPITAL, INC.**Notes to Financial Statements  
August 31, 2022 and 2021**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.

At August 31, 2022 and 2021, Compass had the following conditional grants:

	<u>Award</u>	<u>Conditions Met 2021</u>	<u>Balance at August 31, 2021</u>	<u>Conditions Met 2022</u>	<u>Balance at August 31, 2022</u>
Organization A	\$ 6,000,000	\$ 2,700,000	\$ 600,000	\$ 600,000	\$ -
Organization B	2,500,000	-	-	500,000	2,000,000
Organization C	1,000,000	62,500	12,500	12,500	-
Organization D	225,000	-	-	150,000	75,000
Organization E	75,000	-	-	20,000	55,000
Organization F	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
	<u>\$ 9,850,000</u>	<u>\$ 2,762,500</u>	<u>\$ 612,500</u>	<u>\$ 1,282,500</u>	<u>\$ 2,180,000</u>

Conditional grant advances of \$180,000 are from Organizations D, E and F at August 31, 2022. Conditional grant advances of \$600,000 are from Organization A at August 31, 2021. The advances 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 as follows:

**Fiscal Year**

2023	\$ 680,000
2024	\$ 500,000
2025	\$ 500,000
2026	\$ 500,000

**6. IN-KIND SERVICES**

In-kind 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>2022</u>	<u>2021</u>
Professional fees	\$ 10,110	\$ -
Legal services	<u>-</u>	<u>9,328</u>
Total	<u>\$ 10,110</u>	<u>\$ 9,328</u>



## COMPASS WORKING CAPITAL, INC.

Notes to Financial Statements  
August 31, 2022 and 2021

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### 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. As of July 1, 2022, through the end of the lease term, monthly payments under the amended agreement range from \$7,828 to \$8,289. Rent expense related to the Boston office was \$132,075 and \$135,650 for the years ended August 31, 2022 and 2021, respectively, and is included in rent and utilities in the accompanying statements of functional expenses.

#### Lynn Office

Compass occupied office space in Lynn, Massachusetts under an agreement which was terminated on October 1, 2020. Rent expense related to the Lynn office was \$1,550 for the year ended August 31, 2021, and is included in rent and utilities in the accompanying 2021 statement of functional expenses.

#### Equipment

Compass leases office equipment under various agreements, which expire through December 2024. Total lease expense under these agreements was \$7,906 and \$11,076 for the years ended August 31, 2022 and 2021, respectively.

Future minimum lease payments are as follows:

<u>Fiscal Year</u>	
2023	\$ 99,943
2024	100,173
2025	100,394
2026	99,468
2027	<u>8,289</u>
Total	<u>\$ 408,267</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 (5.5% and 4.75% at August 31, 2022 and 2021, respectively), plus 1.5%. 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 2022 and 2021.

### 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, 2022 and 2021, the employer contributions to the Plan were \$101,795 and \$86,019, respectively, and are included in employee benefits in the accompanying statements of functional expenses.

## COMPASS WORKING CAPITAL, INC.

Notes to Financial Statements  
August 31, 2022 and 2021

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### 10. EMPLOYMENT ARRANGEMENT

During fiscal year 2021, Compass was party to a co-employment agreement with a payroll services company for the purpose of outsourcing Compass' human resource function, including employee benefits administration, payroll processing, tax remittance, reporting and workers compensation coverage. Effective January 1, 2021, Compass ended its relationship with this payroll services company and became a party to a co-employment agreement with another organization (the Company). 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.

### 11. CONCENTRATION OF CREDIT RISK AND FUNDING

#### Cash

Compass maintains its 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, 2022 and 2021, are as follows:

	<b>Operating Revenue and Support</b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
Donor A	16%	36%
Donor B	- %	13%

  

	<b>Grants and Contributions Receivable</b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
Donor B	- %	52%
Donor C	6%	13%
Donor D	4%	13%
Donor E	32%	- %
Donor F	32%	- %
Donor G	21%	- %

## COMPASS WORKING CAPITAL, INC.

Notes to Financial Statements  
August 31, 2022 and 2021

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### 11. CONCENTRATION OF CREDIT RISK AND FUNDING (Continued)

Funding agencies exceeding 10% of Compass' accounts receivable as of and for the years ended August 31, 2022 and 2021, are as follows:

	Accounts Receivable - Program Services	
	<u>2022</u>	<u>2021</u>
Funding Agency A	17%	26%
Funding Agency B	14%	16%
Funding Agency C	14%	13%
Funding Agency D	27%	26%
Funding Agency E	18%	7%

### 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>2022</u>	<u>2021</u>
Operating cash	\$ 2,695,649	\$ 3,192,359
Restricted cash	552,221	709,661
Accounts receivable - program services	196,961	350,496
Grants and contributions receivable	<u>941,973</u>	<u>922,109</u>
	4,386,804	5,174,625
Less - donor restricted for a specific purpose and time restricted for use beyond one year	<u>(1,314,194)</u>	<u>(1,031,770)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,072,610</u>	<u>\$ 3,542,855</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, 2022 and 2021, Compass has financial assets equal to approximately five and seven months of operating expenses (excluding in-kind and depreciation and amortization), respectively.

### 13. RELATED PARTY TRANSACTIONS

Two members of Compass' Board of Directors were employed by organizations with which Compass receives funding through contract and grant agreements. For the years ended August 31, 2022 and 2021, \$254,667 and \$150,500, respectively, was recognized as revenue from these organizations.