

COMPASS WORKING CAPITAL, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEAR ENDED AUGUST 31, 2019

(With Summarized Comparative Information for 2018)

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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COMPASS WORKING CAPITAL, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

(With Summarized Comparative Information for 2018)

Mission Statement

Compass Working Capital, Inc. (“Compass”) provides financial coaching and savings programs that support families with low incomes to build assets, achieve their financial goals, and become financially secure. Our 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 WORKING CAPITAL, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

(With Summarized Comparative Information for 2018)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Compass Working Capital, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of Compass Working Capital, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, functional expenses and cash flows 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.

Auditors' 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 of 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 Organization'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 Organization'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, 2019 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
Compass Working Capital, Inc.

Report on Summarized Comparative Information

We have previously audited Compass Working Capital, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
December 11, 2019

COMPASS WORKING CAPITAL, INC.

STATEMENTS OF FINANCIAL POSITION AS OF AUGUST 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS:</u>		
Operating Cash	\$ 1,121,407	\$ 646,046
Donor Restricted Cash	498,269	942,884
General Operating Reserve	401,648	293,061
Accounts Receivable, Program Services	177,503	125,352
Grants and Contributions Receivable	873,166	461,154
Prepaid Expenses, Deposits and Other Assets	<u>37,159</u>	<u>53,453</u>
Total Current Assets	<u>3,109,152</u>	<u>2,521,950</u>
 <u>PROPERTY, EQUIPMENT AND SOFTWARE, NET</u>	 <u>102,639</u>	 <u>91,751</u>
 <u>NON-CURRENT ASSETS:</u>		
Grants and Contributions Receivable, Non-Current, Net of Discount	<u>414,172</u>	<u>405,957</u>
Total Non-Current Assets	<u>414,172</u>	<u>405,957</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 3,625,963</u>	 <u>\$ 3,019,658</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	\$ 130,016	\$ 39,824
Accrued Payroll and Related Costs	35,271	54,653
Deferred Revenue	<u>10,621</u>	<u>27,667</u>
Total Current Liabilities	<u>175,908</u>	<u>122,144</u>
 <u>NET ASSETS:</u>		
Net Assets without Donor Restrictions	1,664,947	1,101,219
Net Assets with Donor Restrictions	<u>1,785,108</u>	<u>1,796,295</u>
Total Net Assets	<u>3,450,055</u>	<u>2,897,514</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 3,625,963</u>	 <u>\$ 3,019,658</u>

COMPASS WORKING CAPITAL, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019
(With Summarized Comparative Totals for 2018)

	<u>NET ASSETS</u> <u>WITHOUT DONOR</u> <u>RESTRICTIONS</u>	<u>NET ASSETS</u> <u>WITH DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL ACTIVITIES</u> <u>2019</u>	<u>2018</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>				
<i>Program Service Revenues:</i>				
Financial Coaching Programs	\$ 1,416,355	\$ -	\$ 1,416,355	\$ 1,074,510
Total Program Service Revenues	1,416,355	-	1,416,355	1,074,510
<i>Gifts, Grants, and Contributions:</i>				
Contributions, Foundation and Corporate Grants, Net of Discount	521,189	2,311,103	2,832,292	1,953,887
Proceeds from Fund Raising Event	177,122	-	177,122	189,746
Less: Cost of Direct Benefits to Donors	(32,514)	-	(32,514)	(29,141)
Donated Property, Equipment and Software	-	-	-	14,747
In-Kind Legal Services, Professional Fees and Supplies	44,577	-	44,577	70,730
Total Gifts, Grants, and Contributions	710,374	2,311,103	3,021,477	2,199,969
<i>Other Revenues:</i>				
Interest and Other Income	52,733	-	52,733	45,951
Total Other Revenues	52,733	-	52,733	45,951
<i>Reclassification of Net Assets:</i>				
Net Assets Released from Restriction	2,322,290	(2,322,290)	-	-
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>4,501,752</u>	<u>(11,187)</u>	<u>4,490,565</u>	<u>3,320,430</u>
<u>EXPENSES:</u>				
Program Services	3,235,597	-	3,235,597	2,382,017
Administrative	183,696	-	183,696	318,973
Fund Raising	518,731	-	518,731	397,431
<u>TOTAL EXPENSES</u>	<u>3,938,024</u>	<u>-</u>	<u>3,938,024</u>	<u>3,098,421</u>
<u>CHANGE IN NET ASSETS</u>	<u>563,728</u>	<u>(11,187)</u>	<u>552,541</u>	<u>222,009</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>1,101,219</u>	<u>1,796,295</u>	<u>2,897,514</u>	<u>2,675,505</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 1,664,947</u>	<u>\$ 1,785,108</u>	<u>\$ 3,450,055</u>	<u>\$ 2,897,514</u>

COMPASS WORKING CAPITAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2019

(With Summarized Comparative Totals for 2018)

	<u>PROGRAM</u>	<u>ADMINI-</u>	<u>FUND</u>	<u>TOTAL</u>	
	<u>SERVICES</u>	<u>STRATIVE</u>	<u>RAISING</u>	<u>FUNCTIONAL EXPENSES</u>	
				<u>2019</u>	<u>2018</u>
Salaries and Wages	\$ 1,671,684	\$ 101,345	\$ 354,098	\$ 2,127,127	\$ 1,919,488
Payroll Taxes	138,398	8,406	29,386	176,190	163,022
Employee Benefits	160,589	9,747	33,930	204,266	177,990
Staff Development and Training	44,379	1,317	4,828	50,524	39,214
Contracted Evaluation and Research Services	85,870	-	-	85,870	78,125
Subcontractor Expenses	478,402	-	-	478,402	28,106
Accounting, Bookkeeping, and Audit Fees	-	17,000	-	17,000	14,182
Other Professional Fees	212,048	12,429	28,265	252,742	111,914
In-Kind Legal Services, Professional Fees and Supplies	31,580	2,729	10,268	44,577	70,730
Rent and Utilities	110,751	5,173	16,864	132,788	137,309
Insurance	8,906	2,531	368	11,805	9,913
Marketing	6,610	-	6,000	12,610	8,618
Client Outreach	23,437	-	-	23,437	-
Depreciation Expense	33,166	1,205	3,922	38,293	59,996
Conferences, Meetings and Travel	69,542	4,035	5,837	79,414	59,543
Fundraising Events	-	-	1,623	1,623	11,629
Workshops	8,970	-	-	8,970	4,476
Other Program Activities	13,204	-	-	13,204	13,237
Information Technology Services	65,227	8,415	7,851	81,493	89,024
Supplies and Equipment	20,453	1,092	2,860	24,405	19,262
Telecommunications, Computers, and Software	32,484	1,233	3,990	37,707	46,767
Postage and Printing	16,805	2,057	3,480	22,342	21,167
Bank Fees, Filing Fees and Dues	3,092	4,982	5,161	13,235	14,709
	<u>3,235,597</u>	<u>183,696</u>	<u>518,731</u>	<u>3,938,024</u>	<u>3,098,421</u>
Total Expenses per the Statement of Activities					
Cost of Direct Benefits to Donors	-	-	32,514	32,514	29,141
	<u>-</u>	<u>-</u>	<u>32,514</u>	<u>32,514</u>	<u>29,141</u>
Total Functional Expenses	<u>\$ 3,235,597</u>	<u>\$ 183,696</u>	<u>\$ 551,245</u>	<u>\$ 3,970,538</u>	<u>\$ 3,127,562</u>

COMPASS WORKING CAPITAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 552,541	\$ 222,009
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
Depreciation Expense	38,293	59,996
Donated Property, Equipment and Software	-	(14,747)
<i>(Increase) Decrease in Current Assets:</i>		
Accounts Receivable, Program Services	(52,151)	5,909
Grants and Contributions Receivable	(412,012)	632,745
Prepaid Expenses, Deposits and Other Assets	16,294	(30,482)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	90,192	(69,770)
Accrued Payroll and Related Costs	(19,382)	20,670
Deferred Revenue	(17,046)	1,834
<i>(Increase) Decrease in Non-Current Assets:</i>		
Grants and Contributions Receivable, Non-Current	(8,215)	(165,515)
Net Adjustment	(364,027)	440,641
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>188,514</u>	<u>662,650</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of Property, Equipment and Software	(49,181)	(506)
Net Cash Flows from Investing Activities	(49,181)	(506)
<u>NET INCREASE IN CASH BALANCES</u>	<u>139,333</u>	<u>662,143</u>
<u>CASH - BEGINNING OF YEAR</u>	<u>1,881,991</u>	<u>1,219,848</u>
<u>CASH - END OF YEAR</u>	<u>\$ 2,021,324</u>	<u>\$ 1,881,991</u>
<i>Supplemental Disclosures:</i>		
Property Acquired by In-Kind Donation	\$ -	\$ 14,747
<i>Cash Balances:</i>		
Operating Cash	\$ 1,121,407	\$ 646,046
Donor Restricted Cash	498,269	942,884
General Operating Reserve	401,648	293,061
Total Cash Balances	<u>\$ 2,021,324</u>	<u>\$ 1,881,991</u>

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

(With Summarized Comparative Information for 2018)

NOTE 1 ORGANIZATION

Compass Working Capital, Inc. (“Compass” or the “Organization”) was incorporated on December 30, 2005 under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. Compass Working Capital, Inc. has been classified as an organization which is not a private foundation under IRC Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

NOTE 2 PROGRAM SERVICES

Compass Working Capital, Inc. provides financial coaching and savings programs that support families with low incomes to build assets, achieve their financial goals, and become financially secure. Our 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’ 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:

In 2010, Compass became the first nonprofit organization in the country to launch an asset-building and financial capability model for the Family Self-Sufficiency (“FSS”) program, a historically underutilized program offered through the U.S. Department of Housing and Urban Development (“HUD”). The federal government 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 toward 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 authority, 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 public-private model of its kind in the country, the Compass FSS program is currently offered through partnerships with public housing authorities and nonprofit housing organizations in Massachusetts, Connecticut, Pennsylvania, and Rhode Island. The Compass FSS program has attracted local and national attention as a scalable, housing-based model to help families with low incomes build assets, achieve their goals, and become financially secure.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 2 *(Continued)*

Financial Coaching Programs:

Compass provides contract-based financial coaching programs to help other community organizations integrate asset building into their work. These programs also provide an additional earned revenue stream for the organization.

National Network:

In September 2016, compass launched a three-year demonstration of a national FSS network to expand the scope and impact of the FSS program around the country. The network provided training and technical assistance to mission-aligned partners around the country that were interested in implementing core aspects of the Compass FSS program model in their own local communities. Network partners included public housing authorities, private affordable housing owners, and nonprofit organizations. In 2019, Compass built on learning from the national network demonstration to launch Compass FSS link – an online learning platform and community for FSS practitioners across the country.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization’s financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles 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; however, adherence to generally accepted accounting principles has, in management’s opinion, resulted in reliable and consistent financial reporting by the Organization.

Basis of Accounting:

The Organization’s policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organizations report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 3 (Continued)

These classifications are related to the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - consists of assets, public support and program revenues which are available and used for operations and programs. Net assets without donor restrictions represents the portion of net assets of the Organization that are not restricted by donor-imposed stipulations. Contributions are considered available for use unless specifically restricted by the donor. In addition, net assets within this classification include funds which represent resources designated by the Board of Directors for specific purposes.

Net Assets With Donor Restrictions - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants or bequests and may include investment income earned on restricted funds. These net assets may also include resources which have a donor-imposed restriction which stipulates that a portion of the assets are to be maintained in perpetuity, but permits the Organization to expend part or all of the income derived from the donated assets.

The accompanying financial statements include certain comparative information for the year ended August 31, 2018. With respect to the Statement of Activities, such prior year information is not presented by net asset class and in the Statement of Functional Expenses, 2018 expenses by line item are in total rather than by functional category. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2018, from which the summarized information was derived.

Reclassifications:

Certain amounts in the prior year summarized comparative information have been reclassified to conform to the 2019 presentation in relation to the adoption of the ASU 2016-14. Reclassifications made to the prior year summarized information have no impact on total net assets or changes in net assets.

Accounts Receivable, Program Services:

Accounts Receivable, Program Services represent amounts due in connection with training and consulting services, and from housing authorities pursuant to FSS contracts. These amounts are considered fully collectible by management; accordingly, these financial statements do not contain a provision for uncollectible receivables. If amounts are determined to be uncollectible in subsequent periods, an allowance will be established at that time. The Organization did not experience any loss on uncollectible receivables for the years presented.

Grants and Contributions Receivable:

Grants Receivable and *Contributions Receivable* represent the balance due on 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 when such amounts are considered material.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 3 (Continued)

Management believes that all receivables are fully collectible, and therefore, no allowance for doubtful amounts has been established. If amounts are determined to be uncollectible in subsequent periods, an allowance will be established at that time. The Organization did not experience any loss on uncollectible grants or contributions for the years presented.

Property, Equipment and Software:

Property, equipment and software purchases in excess of \$5,000 are capitalized at cost, if purchased, or if donated, at fair value at the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas, major betterments are capitalized as additions to property and equipment. Depreciation of equipment and software is computed using the straight-line method and is charged to activities over the estimated useful lives of the assets, as expressed in terms of years.

Deferred Revenue and Revenue Recognition:

For the years presented, the Organization received funds in advance on coaching, training and consultation contracts, annual license fees for national network members, and registration fees for an annual national network conference, which are included in *Deferred Revenue* in the accompanying Statement of Financial Position. Revenue related to these contracts and registration fees are recognized as the services are rendered, and license fees are recognized ratably over the membership year.

Contributions, Gifts and Grants:

As required by the *FASB Accounting Standards Codification*TM, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

Contributions, including unconditional promises to give, are recognized at fair value as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved when such amounts are considered material.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions depending on the nature of the restriction until the restriction expires, at which time these amounts are reclassified to net assets without donor restrictions.

In-Kind Goods and Services:

As required by the *FASB Accounting Standards Codification*TM, the Organization maintains a policy whereby the value of the donated goods and services which require a specialized skill; and/or which would have otherwise been purchased by the Organization are recognized as revenue on the Statement of Activities and are reported as expenses on the Statement of Functional Expenses or capitalized on the Statement of Financial Position.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 3 (Continued)

Functional Expenses:

Compass Working Capital, Inc. allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Expenses allocated by time usage are *Salaries and Wages, Payroll Taxes, Employee Benefits, Rent and Utilities, Information Technology Services, Supplies and Equipment, and Telecommunications, Computers, and Software.*

Supporting services are those related to operating and managing Compass Working Capital, Inc. and its programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Administrative - includes all activities related to Compass Working Capital, Inc.'s internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, costs of special events, distribution of materials and other similar projects related to the procurement of funds for Compass Working Capital, Inc.'s programs.

Recent Accounting Guidance:

Recently Implemented Standards

In August 2016, the Financial Accounting Standards Board ("FASB") issued ASC Update No. 2016-14, (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, with the goal of improving not-for-profit financial statements to provide more useful information to donors, grantors, creditors, and other financial statement users. This Accounting Standard Update (ASU) modified the current guidance over several criteria, of which the following affected the Organization's financial statements:

- The Organization's net assets are segregated into two categories, "with donor restrictions" and "without donor restrictions" as opposed to the previous requirement of three classes of net assets.
- The Organization provided qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs for general expenditures within one year from the statement of financial position date.
- The Organization provided a more in-depth explanation of the methods used to allocate costs among program and supporting functions.

In accordance with this ASU, the Organization has retrospectively applied this guidance. The ASU provides organizations with the option of presenting one year of liquidity and the availability of financial assets in the year of implementation; therefore, the Organization is not presenting a liquidity and availability disclosure for the year ended August 31, 2018.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 3 (Continued)

Recently Issued Standards

In May 2014, the FASB issued ASC Update No. 2014-09, (Topic 606) *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This updated guidance impacts not-for-profit entities that have revenue transactions other than contributions. In August 2015, the FASB deferred the effective date of ASC Update No. 2014-09 by one year when it issued ASC Update No. 2015-14, (Topic 606) *Revenue from Contracts with Customers*. This standard is effective for this Organization in financial statements issued for fiscal years beginning September 1, 2019.

In June 2018, the FASB issued ASC Update No. 2018-08, (Topic 958) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The ASU also provides additional guidance to help determine whether a contribution is conditional or unconditional. This standard is effective for this Organization in financial statements issued for fiscal years beginning September 1, 2019.

NOTE 4 GRANTS AND CONTRIBUTIONS RECEIVABLE

As of August 31, 2019 and 2018, grants and contributions receivable due within one year and presented as current assets totaled \$873,166 and \$461,154, respectively. Non-current grants and contributions receivable, discounted to fair value at a rate ranging from 3.51% to 6.63%, were due for collection as follows:

<u>Year to be Paid</u>	<u>2019</u>	<u>2018</u>
FY 2021	\$ 350,080	\$ 283,126
FY 2022	79,125	157,490
FY 2023	<u>5,000</u>	<u>3,125</u>
Total Pledges	434,205	443,741
Less: Discount	<u>(20,033)</u>	<u>(37,784)</u>
Total	<u>\$ 414,172</u>	<u>\$ 405,957</u>

NOTE 5 PROPERTY, EQUIPMENT AND SOFTWARE

The following is a summary of the Organization's property, equipment and software as of August 31, 2019 and 2018:

<u>Asset Category</u>	<u>Est.</u> <u>Life</u>	<u>Cost</u>	<u>Accum.</u> <u>Deprn.</u>	<u>Net Book Value</u> <u>2019</u>	<u>2018</u>
Leasehold Improvements	5	\$ 61,177	\$38,392	\$22,785	\$ 35,021
Software	2 - 3	148,967	102,519	46,448	3,319
Furniture and Equipment	5	<u>100,032</u>	<u>66,626</u>	<u>33,406</u>	<u>53,411</u>
Total		<u>\$310,176</u>	<u>\$207,537</u>	<u>\$102,639</u>	<u>\$91,751</u>

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

(With Summarized Comparative Information for 2018)

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NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

As of August 31, 2019 and 2018, net assets with donor restrictions is comprised of grants and donations restricted for the following donor-specified purposes:

<u>Nature of Restriction</u>	<u>2019</u>	<u>2018</u>
Direct FSS Service Sites*	\$1,002,336	\$ 721,571
National FSS Network	191,688	745,732
Other Purpose Restrictions	33,633	26,954
Time Restricted	<u>557,451</u>	<u>302,038</u>
Total	<u>\$1,785,108</u>	<u>\$1,796,295</u>

For the years presented, net assets were released from restriction for the following programs and purposes:

<u>Nature of Restriction</u>	<u>2019</u>	<u>2018</u>
Direct FSS Service Sites*	\$ 503,750	\$ 203,236
National FSS Network	940,084	696,745
Other Purpose Restrictions	62,982	70,205
Lapse of Time Restrictions	<u>815,474</u>	<u>341,525</u>
Total	<u>\$2,322,290</u>	<u>\$1,311,711</u>

*Amounts included in net assets with donor restrictions for the Direct FSS Service Sites includes amounts restricted by donors for a specific FSS site.

NOTE 7 MAJOR SOURCES OF FUNDING

Fee-for-Service Partnerships:

In FY 2019, Compass had nine and (eight in FY 2018) written agreements (e.g. Memorandums of Understanding or Professional Services Agreements) with public housing authorities, nonprofit housing agencies, and other organizations that provide contract funding to Compass to support the FSS program or other financial coaching programs. These partnerships provide an earned revenue stream for the organization. Seven of these agreements represent multi-year agreements, with the remaining funding contingent upon Compass' ability to meet enrollment and performance targets. For the years ended August 31, 2019 and 2018, revenue from these partnerships totaled \$1,416,355 and \$1,074,510, respectively.

Conditional Grants and Donor Intentions:

During the years presented, the Organization was the recipient of multi-year grants to Compass through donor-advised funds. Amounts paid to Compass, and recognized as revenue, under these multi-year gifts totaled \$350,000 and \$750,000, respectively, for the years ended August 31, 2019 and 2018. The remaining payments totaling \$500,000 are expected to be received as follows: \$250,000 in 2020 and \$250,000 in 2021.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

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(Continued)

NOTE 7 *(Continued)*

During the year ended August 31, 2018, the Organization was awarded a multi-year grant from the GreenLight Fund totaling \$600,000, with \$400,000 in funding that was conditional upon continued partnership with the Philadelphia Housing Authority. As of August 31, 2019, amounts paid to Compass and recognized as revenue under this grant totaled \$350,000. The remaining conditional payments totaling \$250,000, are expected to be received as follows: \$175,000 in 2020, \$62,500 in 2021, and \$12,500 in 2022.

During the year ended August 31, 2018, the Organization was awarded a multi-year grant from the Michael and Susan Dell Foundation totaling \$400,000, with \$200,000 recognized as revenue for the year ended August 31, 2018 and \$200,000 in funding that is conditional upon continued partnership with the Boston Housing Authority. The Organization met the condition in 2019 and recognized the \$200,000 conditional funding as revenue for the year ended August 31, 2019. The remaining payments totaling \$200,000 are included in *Grants and Contributions Receivable* as of August 31, 2019 and expected to be received in 2020.

As of August 31, 2019 and 2018, the aggregate conditional amount of the above commitments was \$750,000 and \$1,550,000, respectively. As the terms of the conditions had not been met, the support has not been recognized in the accompanying financial statements.

NOTE 8 IN-KIND GOODS AND SERVICES

Compass Working Capital, Inc. receives volunteer involvement in the direct service, outreach and administrative capacities of the Organization. For the years ended August 31, 2019 and 2018, the Organization recognized the following in-kind contributions in its financial statements:

<u>Description</u>	<u>2019</u>	<u>2018</u>
Legal Services	\$38,214	\$ 65,323
Office Equipment, Furniture and Other*	-	14,747
Supplies	5,176	5,407
Professional Fees	<u>1,188</u>	<u>-</u>
Total	<u>\$44,577</u>	<u>\$85,477</u>

*For the years presented, Office Equipment, Furniture and Other represents donated goods that were capitalized and included in *Property, Equipment and Software* in the accompanying Statements of Financial Position.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

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(With Summarized Comparative Information for 2018)

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NOTE 9 COMMITMENTS

Boston Office:

The Organization occupies office space within the NonProfit Center in Boston, Massachusetts under a lease agreement with Third Sector New England (“TSNE”). In April, 2017, the Organization amended the lease agreement with TSNE to expand its office space and extend the lease term through September 2022. Monthly payments under the amended agreement range from \$7,358 to \$8,093. Rent expense related to the Boston office was \$94,688 and \$91,551, for the years ended August 31, 2019 and 2018, respectively, and is included in *Rent and Utilities* in the accompanying Statement of Functional Expenses.

Lynn Office:

The Organization occupies office space in Lynn, Massachusetts. In January 2019, the Organization terminated their previous lease agreement and entered into a new one-year lease that expires in February 2020. Monthly rent expense under the new agreement is \$1,300 and under the previous agreement ranged from \$1,987 to \$2,318.

Future minimum payments for the remainder of the non-cancellable agreements are as follows:

<u>Fiscal Year Ended</u>	<u>Boston</u> <u>Facility</u>	<u>Lynn</u> <u>Facility</u>	<u>Total</u> <u>Obligation</u>
August 31, 2020	\$ 93,931	\$5,200	\$ 99,131
August 31, 2021	96,874	-	96,874
August 31, 2022	97,119	-	97,119
August 31, 2023	<u>8,093</u>	<u>-</u>	<u>8,093</u>
Total	<u>\$296,017</u>	<u>\$5,200</u>	<u>\$301,217</u>

NOTE 10 EMPLOYEE RETIREMENT PLAN

Effective February 2016, Compass converted its 403(b) retirement savings plan to a qualified 401(k) retirement plan (the “Plan”). The Plan allows eligible employees of the Organization 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, 2019 and 2018, the employer contributions to the Plan were \$55,006 and \$47,440, respectively, and are included in *Employee Benefits* on the accompanying Statement of Functional Expenses.

NOTE 11 EMPLOYMENT ARRANGEMENT

Effective January 1, 2016, Compass entered into a co-employment agreement with TriNet for the purpose of outsourcing the Organization’s human resource function, including employee benefits administration, payroll processing, tax remittance and reporting and workers compensation coverage. Accordingly, TriNet became 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 state and federal contract reporting.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

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(With Summarized Comparative Information for 2018)

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NOTE 12 CONCENTRATIONS

Cash:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of uninsured cash deposits held at one financial institution. Cash balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per institution, and the Organization holds its excess cash balances in accounts which are fully insured by the Depositors Insurance Fund (“DIF”). Therefore, the Organization had no cash balances in excess of insurance limits as of August 31, 2019 and 2018. The Organization has not experienced any losses on uninsured cash balances and Management considers credit risk on cash to be low.

Receivables:

For the years ended August 31, 2019 and 2018, multi-year gifts from three donors accounted for 66% and 61%, respectively, of total *Grants and Contributions Receivable*.

For the year ended August 31, 2019 and 2018, amounts due from one contract represents 32% and 31%, respectively, of total *Accounts Receivable, Program Services*.

Accounts Payable and Accrued Expenses:

As of August 31, 2019 and 2018, amounts owed to one vendor represents 50% and 48% respectively, of total *Accounts Payable and Accrued Expenses*.

NOTE 13 LIQUIDITY AND AVAILABILITY

The following table reflects the Organization’s financial assets as of August 31, 2019, which are available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year of the Statement of Financial Position date, because the governing board or management policy has set aside the funds for a specific use or a long-term investment as board designated endowments, or when restricted by donors for purposes more limited than general expenditures. Financial assets available for general expenditures within one year at August 31, 2019, are as follows:

Financial Assets:	
Operating Cash	\$1,121,407
Donor Restricted Cash	498,269
General Operating Reserve	401,648
Accounts Receivable, Program Services	177,503
Grants and Contributions Receivable	<u>873,166</u>
Total	3,071,993
Less Amounts Not Intended to be Used Within One Year:	
General Operating Reserve	<u>(401,648)</u>
Financial Assets Available to be Used Within One Year	<u>\$2,670,345</u>

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

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NOTE 13 *(Continued)*

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has various sources of liquidity at its disposal, including cash, accounts receivable and grants and contributions receivable. The General Operating Reserve is available with authorization from the Board of Directors, but the Organization has no intention of using the funds unless necessary.

For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to its ongoing activities of providing financial coaching and savings programs that support families with low incomes to build assets, achieve their financial goals, and become financially secure, as well as the conduct of services undertaken to support those activities to be general expenditures.

NOTE 14 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through December 11, 2019, the date which the financial statements were available for issue, and noted the following events that met the criteria:

Conditional Grants:

In September 2019, the Organization was awarded a \$6,000,000 conditional grant to support operations.

On October 4, 2019, \$100,000 of the gifts through donor-advised funds expected to be received in 2019 were received.

On October 10, 2019, \$50,000 of the conditional grants expected to be received in 2019 were received.

Unconditional Grants:

On September 18, 2019, \$166,667 of the current *Grants and Contributions Receivable* balance was received.

On September 27, 2019, the Organization was awarded a grant totaling \$320,000 restricted for a remote pilot coaching program.