

CompassPoint Nonprofit Services

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

December 31, 2014
with comparative totals for 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors
CompassPoint Nonprofit Services

We have audited the accompanying financial statements of CompassPoint Nonprofit Services (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of December 31, 2014, 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 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 auditors' 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 CompassPoint Nonprofit Services as of December 31, 2014, 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.

Report on Summarized Comparative Information

We have previously audited CompassPoint Nonprofit Services 2013 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated July 16, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

DZH Phillips LLP

San Francisco, California
July 14, 2015

CompassPoint Nonprofit Services

STATEMENT OF FINANCIAL POSITION

December 31, 2014 with comparative totals for 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 630,107	\$ 1,331,037
Grants receivable	1,731,679	303,940
Accounts receivable	87,863	148,028
Accounts receivable - related party	-	12,385
Accounts receivable - other	125,209	23,265
Government contracts receivable	44,433	3,470
Inventory	15,198	10,338
Prepaid expenses	100,451	84,899
Deposits	23,701	23,701
Other assets	340	680
Furniture and equipment - net	<u>334,323</u>	<u>320,635</u>
Total assets	<u>\$ 3,093,304</u>	<u>\$ 2,262,378</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 320,464	\$ 260,849
Deferred rent	143,906	154,026
Deferred revenue	135,941	139,003
Note payable	<u>-</u>	<u>34,318</u>
Total liabilities	<u>600,311</u>	<u>588,196</u>
COMMITMENTS	-	-
NET ASSETS		
Unrestricted	310,642	79,622
Temporarily restricted	<u>2,182,351</u>	<u>1,594,560</u>
Total net assets	<u>2,492,993</u>	<u>1,674,182</u>
Total liabilities and net assets	<u>\$ 3,093,304</u>	<u>\$ 2,262,378</u>

The accompanying notes are an integral part of this statement.

CompassPoint Nonprofit Services

STATEMENT OF ACTIVITIES

Year ended December 31, 2014 with comparative totals for 2013

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Support				
Foundations	\$ 114,000	\$ 2,504,568	\$ 2,618,568	\$ 720,399
Individuals	10,112	2,194	12,306	11,798
Corporations	-	15,000	15,000	82,775
In-kind donations	21,000	-	21,000	22,800
Total support	145,112	2,521,762	2,666,874	837,772
Revenue				
Consumer fees	1,681,236	-	1,681,236	1,682,026
Government contracts	127,251	-	127,251	81,942
Publications	3,064	-	3,064	3,677
Royalties	13,384	-	13,384	16,368
Total revenue	1,824,935	-	1,824,935	1,784,013
Net assets released from restrictions	1,985,070	(1,985,070)	-	-
Total support and revenue	3,955,117	536,692	4,491,809	2,621,785
EXPENSES				
Program	3,186,503	-	3,186,503	3,221,214
Management and general	596,692	-	596,692	601,749
Fundraising	63,300	-	63,300	57,509
Total expenses	3,846,495	-	3,846,495	3,880,472
Change in net assets from operations	108,622	536,692	645,314	(1,258,687)
OTHER REVENUES				
Assets received from liquidating nonprofit organization	119,038	51,099	170,137	-
Interest income	2,192	-	2,192	941
Other	1,168	-	1,168	9,597
	122,398	51,099	173,497	10,538
CHANGE IN NET ASSETS	231,020	587,791	818,811	(1,248,149)
Net assets - beginning of year	79,622	1,594,560	1,674,182	2,922,331
Net assets - end of year	\$ 310,642	\$ 2,182,351	\$ 2,492,993	\$ 1,674,182

The accompanying notes are an integral part of this statement.

CompassPoint Nonprofit Services

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2014 with comparative totals for 2013

	2014								2013	
	Program Services					Total Program Services	Management and General	Fundraising	Total	Total
Consulting	Training and Conferences	Publishing	Communications and Community Influence	Cohort Leadership Programs	Total					
Salaries and employee benefits	\$ 566,799	\$ 429,025	\$ 2,684	\$ 238,475	\$ 561,021	\$ 1,798,004	\$ 442,710	\$ 48,637	\$ 2,289,351	\$ 2,064,329
Organizational contracting	95,709	47,961	7,258	2,942	221,017	374,887	19,644	1,184	395,715	601,318
Occupancy	60,142	53,887	270	28,472	63,951	206,722	43,545	4,793	255,060	249,693
Printing and publication	23,274	19,411	761	8,625	26,693	78,764	8,449	5,776	92,989	129,988
Meetings and conferences	11,002	16,442	12	5,173	239,936	272,565	6,700	117	279,382	318,541
Client professional development	-	-	-	-	31,510	31,510	-	-	31,510	20,764
Travel and reimbursement	36,436	2,137	3	9,450	79,643	127,669	989	246	128,904	166,777
Postage and shipping	2,554	2,036	75	1,085	4,388	10,138	144	12	10,294	10,474
Professional services	5,551	5,803	25	2,628	5,903	19,910	35,073	438	55,421	57,369
Telephone	3,546	2,532	36	2,065	4,402	12,581	1,598	126	14,305	17,830
Supplies	6,639	9,802	24	2,618	22,943	42,026	6,919	400	49,345	32,875
Depreciation	20,584	20,354	106	9,746	22,097	72,887	7,283	802	80,972	66,288
Donated goods and services	-	21,000	-	-	-	21,000	-	-	21,000	22,800
Computer and equipment expense	316	283	1	149	335	1,084	228	25	1,337	2,197
Cost of sales	-	-	1,213	-	-	1,213	-	-	1,213	2,465
Equipment rental and maintenance	738	969	3	349	784	2,843	4,302	59	7,204	7,509
Grants to others	-	-	-	-	67,455	67,455	-	-	67,455	545
Other	9,348	19,938	118	6,869	8,972	45,245	19,108	685	65,038	108,710
Total expenses	\$ 842,638	\$ 651,580	\$ 12,589	\$ 318,646	\$ 1,361,050	\$ 3,186,503	\$ 596,692	\$ 63,300	\$ 3,846,495	\$ 3,880,472

The accompanying notes are an integral part of this statement.

CompassPoint Nonprofit Services

STATEMENT OF CASH FLOWS

Year ended December 31, 2014 with comparative totals for 2013

	<u>2014</u>	<u>2013</u>
Cash flows provided by (used in) operating activities:		
Change in net assets	\$ 818,811	\$ (1,248,149)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	80,972	66,288
Changes in operating assets and liabilities		
Grants receivable	(1,427,739)	1,355,156
Accounts receivable	60,165	2,225
Accounts receivable - related party	12,385	31,987
Accounts receivable - other	(101,944)	16,602
Government contracts receivable	(40,963)	(236)
Inventory	(4,860)	1,355
Prepaid expenses	(15,552)	433
Deposits	-	34,833
Other assets	-	5,795
Accounts payable and accrued liabilities	59,615	(325,943)
Deferred rent	(10,120)	119,610
Deferred revenue	(3,062)	41,185
Net cash provided by (used in) operating activities	<u>(572,292)</u>	<u>101,141</u>
Cash flows used in investing activities:		
Purchase of equipment	<u>(94,320)</u>	<u>(66,867)</u>
Net cash used in investing activities	<u>(94,320)</u>	<u>(66,867)</u>
Cash flows provided by (used in) financing activities:		
Proceeds from note payable	-	100,000
Payments on note payable	<u>(34,318)</u>	<u>(65,682)</u>
Net cash provided by (used in) investing activities	<u>(34,318)</u>	<u>34,318</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(700,930)	68,592
Cash and cash equivalents - beginning of year	<u>1,331,037</u>	<u>1,262,445</u>
Cash and cash equivalents - end of year	<u>\$ 630,107</u>	<u>\$ 1,331,037</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 597</u>	<u>\$ 3,829</u>

The accompanying notes are an integral part of this statement.

CompassPoint Nonprofit Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE A - DESCRIPTION OF ORGANIZATION

CompassPoint Nonprofit Services (the “Organization”) works to increase the leadership and management skills of fellow nonprofit leaders, organizations and networks that are working towards social equity. The Organization operates a training program, engages with organizations in individual consulting contracts and runs several cohort leadership programs that work with networks of individuals over extended periods on time.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Financial statement presentation

The Organization’s net assets are classified as follows:

Unrestricted Net Assets

Unrestricted net assets are net assets that are neither temporarily restricted nor permanently restricted by donors.

Temporarily Restricted Net Assets

Temporarily restricted net assets are net assets for which use by the Organization is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled and removed by actions of the Organization.

Permanently Restricted Net Assets

Permanently restricted net assets are net assets for which use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can otherwise be removed by actions of the Organization. The Organization has no permanently restricted net assets at December 31, 2014.

CompassPoint Nonprofit Services

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the statement of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions, accounts and government contract receivables

The Organization considers contributions, accounts, and government contracts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when that determination is made.

Inventory

Inventory consists of printed materials that are available for sale, which are stated at the lower of cost (first-in, first-out basis) or market value. Cost is determined by the manufacturers' printing and binding unit price.

Furniture and equipment

Furniture and equipment, if purchased, are recorded at cost or, if donated, at fair market value at the time of receipt. Furniture and equipment are depreciated over three to fifteen years, depending on their estimated useful lives on the straight-line basis. The Organization generally capitalizes assets with an original cost over \$2,000.

Deferred rent

The Organization's office lease agreement provides for rent escalations during the lease term. The Organization records rent expense on a straight-line basis over the term of the lease. Accordingly, deferred rent is recorded to the extent that cumulative rent expense exceeds actual rent payments.

CompassPoint Nonprofit Services

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Contributions

The Organization recognizes grants and donor contributions upon the earlier of receipt or when unconditionally promised. Grants and donor contributions without donor-imposed restrictions are reported as unrestricted support. Grants and donor contributions with donor-imposed restrictions are reported as temporarily restricted net assets and are then reclassified to unrestricted net assets when the restrictions have been satisfied. Conditional promises to give are not included as contributions until such time as the conditions are substantially met. Grants and donor contributions to be received over more than one fiscal year are recorded at the present value of estimated future cash flows.

In-kind donations

Donated services are recognized at fair value when received if such services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. During the year ended December 31, 2014, the value of donated services included as in kind donations in the accompanying financial statements was \$21,000, and consisted primarily of workshop/conference instructors, consulting and information technology services.

Consumer fees

The Organization recognizes consulting, workshop and conference revenue in the period when the service has been provided. Payments collected in advance for consulting, workshop and conference fees are reflected as deferred revenue in the statement of financial position.

Government contracts

Government contracts are on a fixed-fee or cost-reimbursement basis. Revenue is recognized as the service is performed up to the maximum amount allowed by the contract.

CompassPoint Nonprofit Services

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional allocation of expenses

The costs of providing the various program services and supporting activities of the Organization are shown on the Statement of Functional Expenses. Expenses that can be identified with a specific program are allocated directly according to the function benefited. Certain costs, including occupancy, office supplies, telephone and others have been allocated among the program services and supporting activities benefited on a pro-rata basis based on the proportion of direct costs incurred by each program.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Income taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701d. Accordingly, it has not provided for income taxes in these financial statements.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Organization has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

Use of estimates

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CompassPoint Nonprofit Services

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through July 14, 2015, which represents the date financial statements were available to be issued.

NOTE C - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and contributions receivable. Risks associated with concentrations of cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

At December 31, 2014, 94% of the total grants receivable was from two grantors. Total revenue provided by these two grantors was 42% of the total revenue and support for the year ended December 31, 2014.

NOTE D - GRANTS RECEIVABLE

Grants receivable of \$1,731,679 as of December 31, 2014 consists of \$1,648,658 in purpose restricted support to the Organization and \$83,021 in general support.

Grants receivable are due as follows:

<u>Year ending December 31,</u>	
2015	<u>\$ 1,731,679</u>

CompassPoint Nonprofit Services

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2014

NOTE E - FURNITURE AND EQUIPMENT

Furniture and equipment consist of:

Furniture and equipment	\$ 609,009
Less: accumulated depreciation	<u>(274,686)</u>
Furniture and equipment - net	<u>\$ 334,323</u>

Depreciation expense for the year ended December 31, 2014 was \$80,972.

NOTE F - LINE OF CREDIT

The Organization has a \$200,000 revolving line of credit with Torrey Pines Bank which expires in June 2016. The line includes certain financial and non-financial covenants that require, among other matters, that the Organization maintain a minimum tangible net worth and minimum average liquidity. The line of credit agreement calls for interest at 1.5% above the Wall Street Journal Prime rate (3.25% at December 31, 2014), with a 5.50% floor, and is payable monthly. At December 31, 2014, there was no balance outstanding on the line of credit.

CompassPoint Nonprofit Services

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2014

NOTE G - COMMITMENTS AND CONTINGENCIES

Facilities and equipment leases

The Organization has an office lease agreement which will expire in 2020. The office lease has escalating monthly payments currently at \$21,200 per month which will increase to \$23,700 per month by the end of the lease term. The Organization also has an equipment lease that expires in 2017 with monthly payments of \$3,728.

The future minimum lease payments required under these leases are as follows:

<u>Year ending December 31,</u>	
2015	\$ 306,898
2016	311,888
2017	279,597
2018	277,131
2019	282,120
Thereafter	<u>130,353</u>
	<u>\$ 1,587,987</u>

For the year ended December 31, 2014, total rent expense under these leases was \$255,732.

Government grants and contracts

The Organization receives funding from governmental agencies and foundations in the form of grants and contracts. Accordingly, the Organization is subject to review or audit by these agencies regarding compliance with terms and conditions of the grants and contracts and specific program performance. Management believes that the Organization has complied with all aspects of the grant and contract provisions and that adjustment, if any, would be insignificant to the financial position of the Organization.

CompassPoint Nonprofit Services

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2014

NOTE H - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2014 have the following purpose and time restrictions:

Blue Shield Against Violence Strong Field Project Leadership	\$ 1,234,463
Leadership Development Program for Executives Serving Transition-Age Youth	1,579
L.A. Fundraising Academy for Communities of Color	171,170
Leadership Coaching Focus on Organizational Sustainability	298,663
Next Generation Leadership of Color Leadership Development - Southern California	200,000
Executive Leadership Intensive	13,153
Community Leadership Project	42,777
Summer Matters Fund	74,324
ET Research	75,000
Reproductive Health and Right Leaders	49,100
Training Support	5,220
Young Nonprofit Professional Network	16,752
Women Executive Directors of Color	150
	<u>\$ 2,182,351</u>

NOTE I - RETIREMENT PLAN

The Organization has a 401(k) plan (defined contribution plan) for all employees who have completed a 90-day period of employment and are twenty-one years of age or older. The plan provides for discretionary contributions by the Organization, such amounts to be determined annually by the Board of Directors. Employees must complete 800 hours of service during the year to be entitled to an allocation of Organization contributions. The Organization matched 100% of the contributions of eligible employees up to 4% of eligible compensation in 2014. Vesting in the Organization's contributions is immediate.

The Organization contributed \$56,234 to the plan for the year ended December 31, 2014.

CompassPoint Nonprofit Services

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2014

NOTE J - ASSETS RECEIVED FROM LIQUIDATING NONPROFIT ORGANIZATION

During the year ended December 31, 2014, the Organization was the beneficiary of the remaining assets of an unrelated nonprofit organization that is in the process of dissolution. The Organization received cash in the amount of \$51,099 and the right to collect income amounting to \$119,038. At December 31, 2014, uncollected accounts receivable from this transaction amounted to \$100,725, and are included in other accounts receivable on the statement of financial position.