

CompassPoint Nonprofit Services

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

December 31, 2013
with comparative totals for 2012

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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, 2013, 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, 2013, 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 2012 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated July 1, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

DZH Phillips LLP

San Francisco, California
July 16, 2014

CompassPoint Nonprofit Services

STATEMENT OF FINANCIAL POSITION

December 31, 2013 with comparative totals for 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 1,331,037	\$ 1,262,445
Contributions receivable	303,940	1,659,096
Accounts receivable	148,028	150,253
Accounts receivable - related party	12,385	44,372
Other receivable	23,265	39,867
Government contracts receivable	3,470	3,234
Inventory	10,338	11,693
Prepaid expenses	84,899	85,332
Deposits	23,701	58,534
Other assets	680	6,815
Furniture and equipment - net	<u>320,635</u>	<u>319,716</u>
Total assets	<u>\$ 2,262,378</u>	<u>\$ 3,641,357</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 260,849	\$ 586,792
Deferred rent	154,026	34,416
Deferred revenue	139,003	97,818
Note payable	<u>34,318</u>	<u>-</u>
Total liabilities	<u>588,196</u>	<u>719,026</u>
COMMITMENTS AND CONTINGENCIES		
	-	-
NET ASSETS		
Unrestricted	79,622	54,613
Temporarily restricted	<u>1,594,560</u>	<u>2,867,718</u>
Total net assets	<u>1,674,182</u>	<u>2,922,331</u>
Total liabilities and net assets	<u>\$ 2,262,378</u>	<u>\$ 3,641,357</u>

The accompanying notes are an integral part of this statement.

CompassPoint Nonprofit Services

STATEMENT OF ACTIVITIES

Year ended December 31, 2013 with comparative totals for 2012

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Support				
Foundations	\$ 158,000	\$ 562,399	\$ 720,399	\$ 3,246,854
Individuals	7,596	4,202	11,798	23,796
Corporations	27,775	55,000	82,775	33,881
In-kind donations	22,800	-	22,800	99,009
Total support	216,171	621,601	837,772	3,403,540
Revenue				
Consumer fees	1,682,026	-	1,682,026	1,509,374
Government contracts	81,942	-	81,942	96,451
Advertising	-	-	-	2,500
Publications	3,677	-	3,677	3,888
Royalties	16,368	-	16,368	13,495
Interest income	941	-	941	1,017
Other	9,597	-	9,597	44,584
Total revenue	1,794,551	-	1,794,551	1,671,309
Net assets released from restrictions	1,894,759	(1,894,759)	-	-
Total support and revenue	3,905,481	(1,273,158)	2,632,323	5,074,849
EXPENSES				
Program	3,221,214	-	3,221,214	3,630,383
Management and general	601,749	-	601,749	551,852
Fundraising	57,509	-	57,509	103,552
Total expenses	3,880,472	-	3,880,472	4,285,787
CHANGE IN NET ASSETS	25,009	(1,273,158)	(1,248,149)	789,062
Net assets - beginning of year	54,613	2,867,718	2,922,331	2,133,269
Net assets - end of year	\$ 79,622	\$ 1,594,560	\$ 1,674,182	\$ 2,922,331

The accompanying notes are an integral part of this statement.

CompassPoint Nonprofit Services

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2013 with comparative totals for 2012

	2013							2012		
	Program Services					Total Program Services	Management and General	Fundraising	Total	Total
	Consulting	Training and Conferences	Publishing	Community Influence Services	Initiative					
Salaries and employee benefits	\$ 622,903	\$ 425,936	\$ 13,246	\$ 190,256	\$ 363,351	\$ 1,615,692	\$ 402,315	\$ 46,322	\$ 2,064,329	\$ 2,198,260
Consultants	197,683	41,869	109,012	1,990	188,178	538,732	62,313	273	601,318	699,711
Occupancy	72,266	56,239	1,735	24,066	46,170	200,476	43,737	5,480	249,693	323,719
Printing and publication	36,912	31,392	12,607	11,507	25,541	117,959	9,829	2,200	129,988	128,714
Meetings and conferences	101,334	31,497	193	8,440	171,177	312,641	5,691	209	318,541	381,015
Client professional development	-	-	-	-	20,764	20,764	-	-	20,764	22,358
Travel and reimbursement	88,456	8,162	669	14,457	52,261	164,005	2,669	103	166,777	174,688
Postage and shipping	741	2,086	52	6,638	634	10,151	225	98	10,474	22,305
Professional services	7,847	6,615	173	2,531	4,593	21,759	35,069	541	57,369	59,810
Telephone	4,462	6,728	92	1,280	3,319	15,881	1,749	200	17,830	35,325
Supplies	6,682	7,031	108	1,935	12,709	28,465	4,046	364	32,875	17,859
Depreciation and amortization	20,476	18,119	492	6,814	12,811	58,712	6,787	789	66,288	31,592
Donated goods and services	-	22,800	-	-	-	22,800	-	-	22,800	73,456
Computer and equipment expense	414	1,088	10	138	265	1,915	251	31	2,197	945
Cost of sales	-	-	2,465	-	-	2,465	-	-	2,465	1,610
Equipment rental and maintenance	655	1,879	16	327	418	3,295	4,164	50	7,509	9,420
Grants to others	-	-	-	-	545	545	-	-	545	-
Other	16,489	39,679	16,918	4,596	7,275	84,957	22,904	849	108,710	105,000
Total expenses	<u>\$ 1,177,320</u>	<u>\$ 701,120</u>	<u>\$ 157,788</u>	<u>\$ 274,975</u>	<u>\$ 910,011</u>	<u>\$ 3,221,214</u>	<u>\$ 601,749</u>	<u>\$ 57,509</u>	<u>\$ 3,880,472</u>	<u>\$ 4,285,787</u>

The accompanying notes are an integral part of this statement.

CompassPoint Nonprofit Services

STATEMENT OF CASH FLOWS

Year ended December 31, 2013 with comparative totals for 2012

	<u>2013</u>	<u>2012</u>
Cash flows provided by (used in) operating activities:		
Change in net assets	\$ (1,248,149)	\$ 789,062
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	66,288	31,592
Donated goods	-	(25,553)
Changes in operating assets and liabilities		
Contributions receivable	1,355,156	(761,621)
Accounts receivable	2,225	1,050
Accounts receivable - related party	31,987	10,672
Other receivable	16,602	(27,268)
Government contracts receivable	(236)	3,899
Inventory	1,355	1,341
Prepaid expenses	433	8,310
Deposits	34,833	(23,156)
Other assets	5,795	(5,795)
Accounts payable and accrued liabilities	(325,943)	114,425
Deferred rent	119,610	34,416
Deferred revenue	41,185	(20,280)
Net cash provided by operating activities	<u>101,141</u>	<u>131,094</u>
Cash flows provided by (used in) investing activities:		
Purchase of equipment	<u>(66,867)</u>	<u>(112,155)</u>
Net cash used in investing activities	<u>(66,867)</u>	<u>(112,155)</u>
Cash flows provided by (used in) financing activities:		
Proceeds from note payable	100,000	-
Payments on note payable	<u>(65,682)</u>	<u>-</u>
Net cash provided by investing activities	<u>34,318</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	68,592	18,939
Cash and cash equivalents - beginning of year	<u>1,262,445</u>	<u>1,243,506</u>
Cash and cash equivalents - end of year	<u>\$ 1,331,037</u>	<u>\$ 1,262,445</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 3,829</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CompassPoint Nonprofit Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A - DESCRIPTION OF ORGANIZATION

CompassPoint Nonprofit Services (the “Organization”) works to increase the impact of fellow nonprofit leaders, organizations, and networks that are working towards social equity. The Organization’s integrated practice offers the strongest teaching, coaching, consulting, and peer learning, all grounded in deep nonprofit leadership experience.

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, 2013.

Cash and cash equivalents

Cash and cash equivalents consist of cash in checking and money market accounts with various financial institutions.

CompassPoint Nonprofit Services

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

CompassPoint Nonprofit Services

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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, 2013, the value of donated services included as in kind donations in the accompanying financial statements was \$22,800, 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.

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, 2012, from which the summarized information was derived.

CompassPoint Nonprofit Services

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Tax returns for years subsequent to December 31, 2009 are subject to examination by federal and state tax authorities.

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.

Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through July 16, 2014, 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, 2013, 73% of the total contributions receivable was from three grantors. Total revenue provided by these three grantors was 15% of the total revenue and support for the year ended December 31, 2013.

CompassPoint Nonprofit Services

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2013

NOTE D - CONTRIBUTIONS RECEIVABLE

Contributions receivable of \$303,940 as of December 31, 2013 consists of \$242,140 in purposed restricted support to the Organization and \$61,800 in general support. Subsequent to year end, the Organization collected \$184,339 of the contributions receivable due as of December 31, 2013.

Contributions receivable are due as follows:

<u>Year ending December 31,</u>	
2014	\$ 280,700
2015	<u>23,240</u>
	<u>\$ 303,940</u>

NOTE E - FURNITURE AND EQUIPMENT

Furniture and equipment consist of:

Furniture and equipment	\$ 522,646
Less: accumulated depreciation	<u>(202,011)</u>
Furniture and equipment - net	<u>\$ 320,635</u>

Depreciation and amortization expense for the year ended December 31, 2013 was \$66,288.

NOTE F – NOTE PAYABLE

On April 19, 2013, the Organization entered into a short-term note payable with Northern California Community Loan Fund with a principal amount of \$100,000. The note is collateralized by certain assets of the Organization and bears interest at a rate of 8.5% per annum. The note called for one interest only payment in May of 2013. Monthly principal and interest payments of \$8,728 are due from June 1, 2013 through May 1, 2014. Interest expense for the year ended December 31, 2013 amounted to \$4,330. The note, including accrued interest, was paid in full by the Organization in May of 2014.

CompassPoint Nonprofit Services

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2013

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 starting 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 2014 with monthly payments of \$6,300.

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

<u>Year ending December 31,</u>	
2014	\$ 288,687
2015	262,162
2016	267,152
2017	272,141
2018	277,131
Thereafter	<u>412,474</u>
	<u>\$ 1,779,747</u>

For the year ended December 31, 2013, total rent expense under these leases was \$249,694.

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, 2013

NOTE H - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2013 have the following purpose and time restrictions:

Blue Shield Against Violence Strong Field Project Leadership	\$ 818,838
Community Leadership Project	157,696
Executive Director Leadership Intensive	50,000
Executive Transitions and Leadership	47,366
L.A. Fundraising Academy for Communities of Color	4,343
Next Generation Leadership of Color Leadership Development	163,333
Leadership Deavelopment Program for Executives	
Serving Transition-Age Youth	146,567
Leadership System	15,981
Nonprofit Talking about Taxes	5,919
Succession Planning Technical Assistance	36,772
Successsion Planning and ED Transition	59,438
Training Support	16,790
Women Executive Director of Color	150
Young Nonprofit Professional Network	21,367
General Support - Time Restricted	50,000
	<u>\$ 1,594,560</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 2013. Vesting in the Organization's contributions is immediate.

The Organization contributed \$49,734 to the plan for the year ended December 31, 2013.

CompassPoint Nonprofit Services

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2013

NOTE J - RELATED PARTY TRANSACTIONS

The Chief Executive Officer of the Organization is also a Board Member of Alliance for Nonprofit Management. In 2011, the Organization entered into an agreement with Alliance for Nonprofit Management to provide accounting and management services. The agreement was terminated in July 2012, therefore, no accounting and management services were provided by the Organization for the year ended December 31, 2013. As of December 31, 2013, the Organization has a receivable of \$12,385 due from Alliance for Nonprofit Management. The receivable was paid in full subsequent to year end.

NOTE K – SUBSEQUENT EVENT

On June 1, 2014, the Organization entered into an assignment and assumption agreement (the Agreement) with Fieldstone Alliance, Inc. (Fieldstone), a Minnesota nonprofit corporation. Under the Agreement, the Organization will receive certain rights and obligations regarding certain assets under an asset purchase agreement between Fieldstone and an unrelated entity. Additionally, under a fund transfer agreement dated May 15, 2014 between Fieldstone and the Organization, the Organization will receive a portion of the remaining cash assets of Fieldstone, to further its charitable mission. On June 18, 2014, these remaining cash assets of \$51,099 were transferred to the Organization.

On March 12, 2014, the Organization obtained a revolving line of credit with a bank in the amount of \$200,000, with interest at the Wall Street Journal Prime Rate plus a 1.5% floating rate with a 5.5% floor. The agreement expires on April 15, 2015 and provides for certain covenants as defined in the agreement.