



Certified Public Accountants  
and Financial Advisors

**CompassPoint Nonprofit Services**  
Financial Statements  
December 31, 2017

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## INDEPENDENT AUDITOR'S 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, 2017, 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.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2017, 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**

The financial statements as of and for the year ended December 31, 2016 were audited by DZH Phillips LLP, who merged with Squar Milner LLP as of January 1, 2018, and whose report dated July 11, 2017 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **SQUAR MILNER LLP**

*SQUAR MILNER LLP*

San Francisco, California  
July 13, 2018

**COMPASSPOINT NONPROFIT SERVICES**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2017 with comparative totals for 2016**

	2017	2016
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,748,988	\$ 1,281,013
Grants receivable - net	1,051,551	3,149,408
Accounts receivable	38,039	54,801
Accounts receivable - other	5,925	71,303
Government contracts receivable	2,650	6,791
Inventory	4,317	10,325
Prepaid expenses	103,520	107,959
Deposits	23,701	23,701
Property and equipment - net	209,448	293,004
Total assets	\$ 3,188,139	\$ 4,998,305
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 194,490	\$ 295,660
Deferred rent	83,611	108,699
Deferred revenue	107,982	107,821
Total liabilities	386,083	512,180
<b>NET ASSETS</b>		
Unrestricted	518,434	619,134
Temporarily restricted	2,283,622	3,866,991
Total net assets	2,802,056	4,486,125
Total liabilities and net assets	\$ 3,188,139	\$ 4,998,305

**COMPASSPOINT NONPROFIT SERVICES**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2017 with comparative totals for 2016**

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>				
Support				
Foundations	\$ 51,000	\$ 867,038	\$ 918,038	\$ 4,908,358
Individuals	13,522	800	14,322	35,628
Corporations	-	-	-	7,500
In-kind donations	6,000	-	6,000	11,000
Total support	70,522	867,838	938,360	4,962,486
Revenue				
Consumer fees	1,103,663	-	1,103,663	1,646,343
Government contracts	93,257	-	93,257	115,305
Publications	-	-	-	1,459
Royalties	3,601	-	3,601	6,641
Total revenue	1,200,521	-	1,200,521	1,769,748
Net assets released from restrictions	2,451,207	(2,451,207)	-	-
Total support and revenue	3,722,250	(1,583,369)	2,138,881	6,732,234
<b>EXPENSES</b>				
Program	3,012,800	-	3,012,800	3,167,773
Management and general	745,051	-	745,051	650,087
Fundraising	74,596	-	74,596	95,839
Total expenses	3,832,447	-	3,832,447	3,913,699
Change in net assets from operations	(110,197)	(1,583,369)	(1,693,566)	2,818,535
<b>OTHER REVENUES</b>				
Interest income	2,842	-	2,842	1,068
Other income	6,655	-	6,655	5,184
	9,497	-	9,497	6,252
CHANGE IN NET ASSETS	(100,700)	(1,583,369)	(1,684,069)	2,824,787
Net assets - beginning of year	619,134	3,866,991	4,486,125	1,661,338
Net assets - end of year	\$ 518,434	\$ 2,283,622	\$ 2,802,056	\$ 4,486,125

**COMPASSPOINT NONPROFIT SERVICES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2017 with comparative totals for 2016**

	2017						2016	
	Program Services			Total Program Services	Management and General	Fundraising	Total	Total
Leadership Programs and Organizational	Public Events and Workshops	Publishing and Community Influence						
Salaries and employee benefits	\$ 1,006,931	\$ 451,882	\$ 160,438	\$ 1,619,251	\$ 559,397	\$ 63,466	\$ 2,242,114	\$ 2,346,614
Organizational contracting	584,909	111,190	14,912	711,011	35,626	3,009	749,646	519,532
Insurance	5,469	2,732	2,159	10,360	6,797	210	17,367	16,788
Occupancy	118,886	59,385	20,639	198,910	53,966	4,558	257,434	260,095
Printing and publication	16,522	14,636	2,397	33,555	8,710	529	42,794	77,983
Meetings and conferences	145,584	9,209	3,349	158,142	10,367	597	169,106	252,758
Client professional development	-	-	-	-	-	-	-	14,529
Travel and reimbursement	65,726	1,320	3,313	70,359	3,069	44	73,472	109,309
Postage and shipping	2,953	211	51	3,215	91	6	3,312	7,726
Professional services	18,225	7,999	2,664	28,888	40,118	496	69,502	69,991
Telephone	3,360	1,842	527	5,729	786	2	6,517	9,932
Supplies	8,882	9,595	987	19,464	3,212	195	22,871	34,444
Depreciation and amortization	51,006	25,457	8,831	85,294	13,099	1,107	99,500	104,923
Donated goods and services	-	6,000	-	6,000	-	-	6,000	11,000
Equipment rental and maintenance	1,286	1,802	223	3,311	4,352	49	7,712	18,154
Grants to others	-	-	-	-	-	-	-	10,500
Bank service fees	118	16,107	11	16,236	550	195	16,981	18,921
Bad debt expense	3,267	-	-	3,267	-	-	3,267	9,867
Other	7,679	2,179	29,950	39,808	4,911	133	44,852	20,633
<b>Total expenses</b>	<b>\$ 2,040,803</b>	<b>\$ 721,546</b>	<b>\$ 250,451</b>	<b>\$ 3,012,800</b>	<b>\$ 745,051</b>	<b>\$ 74,596</b>	<b>\$ 3,832,447</b>	<b>\$ 3,913,699</b>

**COMPASSPOINT NONPROFIT SERVICES**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2017 with comparative totals for 2016**

	2017	2016
Cash flows provided by (used in) operating activities:		
Change in net assets	\$ (1,684,069)	\$ 2,824,787
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	99,500	104,923
Changes in operating assets and liabilities:		
Grants receivable	2,097,857	(3,029,471)
Accounts receivable	16,762	126,968
Accounts receivable - other	65,378	10,563
Government contracts receivable	4,141	5,159
Inventory	6,008	300
Prepaid expenses	4,439	(21,889)
Accounts payable and accrued liabilities	(101,170)	(64,750)
Deferred rent	(25,088)	(20,098)
Deferred revenue	161	(49,456)
Net cash provided by (used in) operating activities	483,919	(112,964)
Cash flows used in investing activities:		
Purchase of equipment	(15,944)	(33,749)
Net cash used in investing activities	(15,944)	(33,749)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	467,975	(146,713)
Cash and cash equivalents - beginning of year	1,281,013	1,427,726
Cash and cash equivalents - end of year	\$ 1,748,988	\$ 1,281,013



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**COMPASSPOINT NONPROFIT SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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## **1. DESCRIPTION OF ORGANIZATION**

CompassPoint (the “Organization”) works shoulder to shoulder with leaders, nonprofit organizations, and movement networks as we build a more equitable world together. We are a national nonprofit leadership practice that believes that nonprofits are powerful vehicles for positive social change and that creating a world free of oppression means practicing liberation inside and out. Our primary areas of work include:

- Developing programming that nurtures technical skills while creating space, time, and community for leaders to explore emotional dimensions of leadership and examine critical issues of race, power, and privilege. We do this through our cohort leadership programs and consulting engagements that we co-design with our clients and partners.
- Creating exceptional learning experiences that increase participants' skills and prepare them to lead improvements in organizational practice. CompassPoint practitioners and key partners design and deliver roughly 125 public classes each year. The core content includes supervision and coaching skills, financial literacy, strategy development, and effective board service, among other subjects.
- Producing and curating content that informs and inspires leaders and capacity builders to consider and evolve their practice. Publishing regularly is essential to our practice because when we write, we make sense of what we are learning as we do this work, reading the work of others is essential to our own development as capacity builders, and because we have a platform from which to share great content with leaders across the country.

## **2. 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.

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**COMPASSPOINT NONPROFIT SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Financial Statement Presentation (continued)*

*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 had no permanently restricted net assets at December 31, 2017.

*Cash and Cash Equivalents*

The Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents includes \$1,232,071 of temporarily restricted funds at December 31, 2017.

*Contributions, Accounts and Government Contracts Receivable*

The Organization considers contributions, accounts, and government contracts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. The Organization provides for an allowance for doubtful accounts when deemed necessary.

*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 net realizable value. Cost is determined by the manufacturers' printing and binding unit price.

*Property and Equipment*

Property 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. Website/database development costs are amortized over three to seven years depending on their estimated useful lives on the straight-line basis. The Organization generally capitalizes assets with an original cost over \$2,000.

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**COMPASSPOINT NONPROFIT SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*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.

*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, 2017, the value of donated services included as in-kind donations in the accompanying financial statements was \$6,000, and consisted of workshop and conference instruction.

*Consumer Fees*

The Organization recognizes revenue generated from leadership programs, consulting, public events and workshops in the period when services are provided. Payments in advance for consulting, public events and workshops are reflected as deferred revenue in the Statement of Financial Position.

*Government Contracts*

Government contracts are funded 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.

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**COMPASSPOINT NONPROFIT SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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**2. 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, 2016, 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.

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**COMPASSPOINT NONPROFIT SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*New Accounting Pronouncements*

In August 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). ASU 2016-14 changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. ASU 2016-14 requires expanded presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Organization has not yet assessed the potential impact of this guidance on its financial statements.

*Subsequent Events*

Management has evaluated events and transactions for potential recognition or disclosure through July 13, 2018, which represents the date financial statements were available to be issued.

**3. CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and grants receivable. Risks associated with 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 (currently \$250,000 per depositor). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

At December 31, 2017, 93% of the total grants receivable were from two grantors. Total revenue from these two grantors made up 42% of the total revenue and support for the year ended December 31, 2017.

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**COMPASSPOINT NONPROFIT SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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**4. GRANTS RECEIVABLE**

At December 31, 2017, grants receivable are expected to be received as follows:

Receivable in less than one year	\$ 978,650
Receivable in one to five years	<u>75,000</u>
Total grants receivable	1,053,650
Less: discount to net present value	<u>(2,099)</u>
Net grants receivable	<u><u>\$ 1,051,551</u></u>

Grants receivable due after December 31, 2017 are stated at their net present values. Management has discounted these grants to the anticipated net present value of the future cash flows using a discount rate of 0.67%, determined at the time the grant was received. The present value discount will be recognized in income as a contribution over the period from the date the grant is made to the date of collection.

**5. PROPERTY AND EQUIPMENT**

Property and equipment consist of:

Furniture and equipment	\$ 444,661
Less: accumulated depreciation	<u>(345,806)</u>
	<u>98,855</u>
Website/database development costs	321,816
Less: accumulated amortization	<u>(211,223)</u>
	<u>110,593</u>
Property and equipment - net	<u><u>\$ 209,448</u></u>

Depreciation and amortization expense for the year ended December 31, 2017 was \$99,500.

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**COMPASSPOINT NONPROFIT SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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**6. LINE OF CREDIT**

The Organization has a \$200,000 revolving line of credit with a bank which expires in August 2018. 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 (4.50% at December 31, 2017), with a 4.75% floor, and is payable monthly. At December 31, 2017, there was no balance outstanding on the line of credit and the line was not utilized during 2017.

**7. 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 \$22,869 per month which will increase to \$23,700 per month by the end of the lease term. The office lease agreement provides the Organization the option to extend the term of the lease for an additional 3 or 5 years at a rental rate equal to the fair market rate which is to be determined at the time the option is exercised. The Organization also has an equipment lease that expires in 2020 with monthly payments of \$1,953.

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

<u>Year ending December 31,</u>	
2018	\$ 300,568
2019	305,557
2020	<u>138,166</u>
	<u>\$ 744,291</u>

For the year ended December 31, 2017, total rent expense under these leases was \$257,434.

*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.

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**COMPASSPOINT NONPROFIT SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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**8. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2017 have the following purpose and time restrictions:

Network Weaving Learning Lab & Feasibility Study	\$ 452,606
Next Generation Leadership of Color Leadership Development - In-Land Region	555,467
Leadership Development of Emerging Reproductive Health Leaders	155,896
Fundraising Bright Spots	127,276
East Contra Costa Strong Nonprofit Program	104,659
Organizational Equity Leadership Development	46,333
Early Education Leaders	7,641
Fundraising Academy Alum	7,093
Training Support for Participants	3,750
General Support - Time Restricted	822,901
	<u>\$ 2,283,622</u>

**9. RETIREMENT PLAN**

The Organization sponsors a defined contribution 401(k) plan (the "Plan") for all eligible employees. All employees who have completed a 90-day period of employment and are twenty-one years of age or older are eligible to participate and may make elective deferrals up to the maximum amounts allowed by the Internal Revenue Service. The Organization does not make matching contributions to the Plan.

**10. SUBSEQUENT EVENTS**

Subsequent to December 31, 2017, the Organization was awarded grant funds from The William and Flora Hewlett Foundation and The David and Lucile Packard Foundation in the amount of \$1,000,000 from each foundation. The funds totaling \$2,000,000 are restricted for program services commencing in 2018.