INDEX TO FINANCIAL STATEMENTS

Independent Auditor’s Report ..................................................................................................................... 1
Statement of Financial Position .................................................................................................................. 3
Statement of Activities ................................................................................................................................ 4
Statement of Functional Expenses .............................................................................................................. 5
Statement of Cash Flows ............................................................................................................................. 6
Notes to Financial Statements .................................................................................................................... 7
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, 2018, 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 entity’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, 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the CompassPoint Nonprofit Services 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated July 13, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

SQUAR MILNER LLP

San Francisco, California
August 16, 2019
### COMPASSPOINT NONPROFIT SERVICES
### STATEMENT OF FINANCIAL POSITION
December 31, 2018 with summarized comparative totals for 2017

<table>
<thead>
<tr>
<th>Assets</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,524,038</td>
<td>$1,748,988</td>
</tr>
<tr>
<td>Grants receivable, net</td>
<td>467,808</td>
<td>1,051,551</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>7,393</td>
<td>43,964</td>
</tr>
<tr>
<td>Government contracts receivable</td>
<td>-</td>
<td>2,650</td>
</tr>
<tr>
<td>Inventory</td>
<td>-</td>
<td>4,317</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>45,701</td>
<td>103,520</td>
</tr>
<tr>
<td>Deposits</td>
<td>23,701</td>
<td>23,701</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>127,690</td>
<td>209,448</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$3,196,331</strong></td>
<td><strong>$3,188,139</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$139,208</td>
<td>$194,490</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>53,533</td>
<td>83,611</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>120,321</td>
<td>107,982</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>313,062</strong></td>
<td><strong>386,083</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Assets</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>With donor restrictions</td>
<td>600,419</td>
<td>518,434</td>
</tr>
<tr>
<td>Without donor restrictions</td>
<td>2,282,850</td>
<td>2,283,622</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>2,883,269</strong></td>
<td><strong>2,802,056</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td><strong>$3,196,331</strong></td>
<td><strong>$3,188,139</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
## COMPASSPOINT NONPROFIT SERVICES
### STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018 with summarized comparative totals for 2017

---

The accompanying notes are an integral part of these financial statements.

---

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SUPPORT AND REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foundations</td>
<td>$56,000</td>
<td>$2,347,099</td>
<td>$2,403,099</td>
<td>$918,038</td>
</tr>
<tr>
<td>Individuals</td>
<td>12,609</td>
<td>-</td>
<td>12,609</td>
<td>14,322</td>
</tr>
<tr>
<td>In-kind donations</td>
<td>5,000</td>
<td>-</td>
<td>5,000</td>
<td>6,000</td>
</tr>
<tr>
<td>Total support</td>
<td>73,609</td>
<td>2,347,099</td>
<td>2,420,708</td>
<td>938,360</td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer fees</td>
<td>736,876</td>
<td>-</td>
<td>736,876</td>
<td>1,103,663</td>
</tr>
<tr>
<td>Government contracts</td>
<td>8,825</td>
<td>-</td>
<td>8,825</td>
<td>93,257</td>
</tr>
<tr>
<td>Royalties</td>
<td>3,444</td>
<td>-</td>
<td>3,444</td>
<td>3,601</td>
</tr>
<tr>
<td>Total revenue</td>
<td>749,145</td>
<td>-</td>
<td>749,145</td>
<td>1,200,521</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>2,347,871</td>
<td>(2,347,871)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total support and revenue</td>
<td>3,170,625</td>
<td>(772)</td>
<td>3,169,853</td>
<td>2,138,881</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program</td>
<td>2,403,150</td>
<td>-</td>
<td>2,403,150</td>
<td>3,012,800</td>
</tr>
<tr>
<td>Management and general</td>
<td>657,043</td>
<td>-</td>
<td>657,043</td>
<td>745,051</td>
</tr>
<tr>
<td>Fundraising</td>
<td>38,948</td>
<td>-</td>
<td>38,948</td>
<td>74,596</td>
</tr>
<tr>
<td>Total expenses</td>
<td>3,099,141</td>
<td>-</td>
<td>3,099,141</td>
<td>3,832,447</td>
</tr>
<tr>
<td>Change in net assets from operations</td>
<td>71,484</td>
<td>(772)</td>
<td>70,712</td>
<td>(1,693,566)</td>
</tr>
<tr>
<td><strong>OTHER REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>5,798</td>
<td>-</td>
<td>5,798</td>
<td>2,842</td>
</tr>
<tr>
<td>Other income, net</td>
<td>4,703</td>
<td>-</td>
<td>4,703</td>
<td>6,655</td>
</tr>
<tr>
<td>CHANGE IN NET ASSETS</td>
<td>10,501</td>
<td>-</td>
<td>10,501</td>
<td>9,497</td>
</tr>
<tr>
<td></td>
<td>81,985</td>
<td>(772)</td>
<td>81,213</td>
<td>(1,684,069)</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- beginning of year</td>
<td>518,434</td>
<td>2,283,622</td>
<td>2,802,056</td>
<td>4,486,125</td>
</tr>
<tr>
<td>- end of year</td>
<td>$600,419</td>
<td>$2,282,850</td>
<td>$2,883,269</td>
<td>$2,802,056</td>
</tr>
</tbody>
</table>
## COMPASSPOINT NONPROFIT SERVICES
### STATEMENT OF FUNCTIONAL EXPENSES
#### For the Year Ended December 31, 2018 with summarized comparative totals for 2017

The accompanying notes are an integral part of these financial statements.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Program</td>
<td>Total Program</td>
</tr>
<tr>
<td></td>
<td>Management</td>
<td>General</td>
</tr>
<tr>
<td></td>
<td>Services</td>
<td>Services</td>
</tr>
<tr>
<td>Salaries and employee</td>
<td>$ 647,907</td>
<td>$ 455,793</td>
</tr>
<tr>
<td>benefits</td>
<td>$ 455,793</td>
<td>$ 455,793</td>
</tr>
<tr>
<td>Organizational contracting</td>
<td>$ 514,133</td>
<td>$ 100,162</td>
</tr>
<tr>
<td>Insurance</td>
<td>$ 4,064</td>
<td>$ 4,064</td>
</tr>
<tr>
<td>Occupancy</td>
<td>$ 95,410</td>
<td>$ 75,023</td>
</tr>
<tr>
<td>Printing and publication</td>
<td>$ 9,789</td>
<td>$ 8,535</td>
</tr>
<tr>
<td>Meetings and conferences</td>
<td>$ 126,911</td>
<td>$ 21,823</td>
</tr>
<tr>
<td>Travel and reimbursement</td>
<td>$ 43,676</td>
<td>$ 749</td>
</tr>
<tr>
<td>Professional services</td>
<td>$ 10,911</td>
<td>$ 7,449</td>
</tr>
<tr>
<td>Telephone</td>
<td>$ 2,015</td>
<td>$ 1,707</td>
</tr>
<tr>
<td>Supplies</td>
<td>$ 8,599</td>
<td>$ 9,411</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>$ 34,209</td>
<td>$ 26,526</td>
</tr>
<tr>
<td>Donated goods and services</td>
<td>-</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Equipment rental and</td>
<td>$ 30</td>
<td>$ 16,939</td>
</tr>
<tr>
<td>maintenance</td>
<td>$ 1,028</td>
<td>$ 1,274</td>
</tr>
<tr>
<td>Bank service fees</td>
<td>$ 3,351</td>
<td>$ 1,851</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>$ 165,680</td>
<td>$ 2,403,150</td>
</tr>
<tr>
<td>Total expenses</td>
<td>$ 1,502,033</td>
<td>$ 3,099,141</td>
</tr>
</tbody>
</table>

### Program Services

<table>
<thead>
<tr>
<th>Leadership Programs and Organizational Contracts</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Events and Workshops</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Publishing and Community Influence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Program Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and General</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fundraising</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Salaries and employee benefits**: $647,907 (2018) vs. $455,793 (2017)
- **Organizational contracting**: $514,133 (2018) vs. $100,162 (2017)
- **Insurance**: $4,064 (2018) vs. $4,064 (2017)
- **Occupancy**: $95,410 (2018) vs. $75,023 (2017)
- **Printing and publication**: $9,789 (2018) vs. $8,535 (2017)
- **Meetings and conferences**: $126,911 (2018) vs. $21,823 (2017)
- **Travel and reimbursement**: $43,676 (2018) vs. $749 (2017)
- **Professional services**: $10,911 (2018) vs. $7,449 (2017)
- **Telephone**: $2,015 (2018) vs. $1,707 (2017)
- **Supplies**: $8,599 (2018) vs. $9,411 (2017)
- **Depreciation and amortization**: $34,209 (2018) vs. $26,526 (2017)
- **Donated goods and services**: - (2018) vs. $5,000 (2017)
- **Equipment rental and maintenance**: $30 (2018) vs. $16,939 (2017)
- **Bank service fees**: $1,028 (2018) vs. $1,274 (2017)
- **Bad debt expense**: - (2018) vs. - (2017)
- **Other**: $3,351 (2018) vs. $1,851 (2017)

The total expenses for 2018 were $1,502,033 compared to $3,099,141 in 2017.
# COMPASSPOINT NONPROFIT SERVICES
## STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018 with comparative totals for 2017

**CASH FLOWS FROM OPERATING ACTIVITIES:**

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$81,213</td>
<td>($1,684,069)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>81,397</td>
<td>99,500</td>
</tr>
<tr>
<td>Loss on disposal of equipment</td>
<td>361</td>
<td>-</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants receivable</td>
<td>583,743</td>
<td>2,097,857</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>36,571</td>
<td>82,140</td>
</tr>
<tr>
<td>Government contracts receivable</td>
<td>2,650</td>
<td>4,141</td>
</tr>
<tr>
<td>Inventory</td>
<td>4,317</td>
<td>6,008</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>57,819</td>
<td>4,439</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>(55,282)</td>
<td>(101,170)</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>(30,078)</td>
<td>(25,088)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>12,339</td>
<td>161</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>775,050</strong></td>
<td><strong>483,919</strong></td>
</tr>
</tbody>
</table>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of equipment</td>
<td>-</td>
<td>(15,944)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td><strong>-</strong></td>
<td><strong>(15,944)</strong></td>
</tr>
</tbody>
</table>

Net increase in cash and cash equivalents

- **775,050**
  - **467,975**

**CASH AND CASH EQUIVALENTS - beginning of year**

- **1,748,988**
  - **1,281,013**

**CASH AND CASH EQUIVALENTS - end of year**

- **$2,524,038**
  - **$1,748,988**

The accompanying notes are an integral part of these financial statements.
1. **DESCRIPTION OF ORGANIZATION**

CompassPoint Nonprofit Services (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**

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Without Donor Restrictions*

Net assets without donor restrictions represent net assets that are not subject to donor-imposed stipulations.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation (continued)

With Donor Restrictions

Net assets with donor restrictions represent net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time and net assets to be held in perpetuity as directed by donors. The Organization currently has no assets held in perpetuity.

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.

Contributions, Accounts and Government Contracts Receivable

The Organization considers grants, 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.

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 of over $2,000. Costs for repairs and maintenance are expensed as incurred.

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 with donor-imposed restrictions are reported as net assets with donor restrictions and are then reclassified to net assets without donor restrictions 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.
2. 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, 2018, the value of donated services included as in-kind donations in the accompanying financial statements was $5,000, 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.

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, 2017, 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.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Significant estimates include the functional allocation of expenses and collectability of receivables.

New Accounting Pronouncements

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958). These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by all entities, including business entities. The amendments should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional or unconditional. The new ASU does not apply to transfers of assets from governments to business.

ASU 2018-08 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2018 for entities that serve as a resource recipient, and years beginning after December 15, 2019 for entities that serve as a resource provider. The Organization is currently assessing the potential impact of this guidance on its financial statements.

The FASB also issued Accounting Standards Update ASU 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”). The new standard is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to customers. The new standard will be effective for the Organization for the year ending December 31, 2019. The Organization is currently evaluating the impact on its financial statements.

The FASB also issued ASU No. 2016-02, Leases (Topic 842) (“ASU 2016-02”) for lease accounting to increase transparency and comparability among companies by requiring the recognition of lease assets and lease liabilities by lessees. The new standard will be effective for the Organization for the year ending December 31, 2020, and early adoption is permitted. The Organization is currently evaluating the timing of its adoption and its impact on its financial statements.

Reclassifications

Certain reclassifications have been made to prior year balances in order to conform to the current year presentation.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through August 16, 2019, which represents the date financial statements were available to be issued.

3. NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organization’s financial statements:

1. The unrestricted net asset class has been renamed net assets without donor restrictions. The temporarily net asset class has been renamed net assets with donor restrictions.

2. The notes to the financial statements include a new disclosure about liquidity and availability of resources (refer to Note 4).

<table>
<thead>
<tr>
<th>Net Asset Class</th>
<th>As Originally Presented</th>
<th>After Adoption of ASU 2016-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted net assets</td>
<td>$ 518,434</td>
<td>$ -</td>
</tr>
<tr>
<td>Temporarily restricted net assets</td>
<td>2,283,622</td>
<td>-</td>
</tr>
<tr>
<td>Net assets without donor restrictions</td>
<td>-</td>
<td>518,434</td>
</tr>
<tr>
<td>Net assets with donor restrictions</td>
<td>-</td>
<td>2,283,622</td>
</tr>
<tr>
<td></td>
<td>$ 2,802,056</td>
<td>$ 2,802,056</td>
</tr>
</tbody>
</table>

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization receives significant contributions that are restricted by donors. Contributions, which are restricted for programs that are ongoing, major, and central to the Organization’s annual operations, are deemed available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Of the $2.2M in donor restricted assets as of the year ended December 31, 2018, roughly half ($1.1M) will be released in 2019 to cover general expenditures, including salaries and ongoing operating expenses. When this amount is included, along with available liquid assets at year end, the Organization has approximately 8 months’ worth of assets available to cover general expenditures.
4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

Financial assets at December 31, 2018:

<table>
<thead>
<tr>
<th>Type of Asset</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,524,038</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>467,808</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>7,393</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>2,999,239</td>
</tr>
</tbody>
</table>

Donor restricted assets     (2,282,851)

Financial assets available to meet general expenditures within one year $716,388

The Organization also has a line of credit in the amount of $200,000, which can be used to fund short term needs (see Note 8).

5. 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, 2018, 83% of the total grants receivable were from one grantor. Total revenue from two grantors made up 73% of the total revenue and support for the year ended December 31, 2018.

6. GRANTS RECEIVABLE

At December 31, 2018, grants receivable totaled $467,808 and is expected to be received within one year. Therefore, no net present value discount was calculated for grants receivable for the year ended December 31, 2018.
7. PROPERTY AND EQUIPMENT

Property and equipment consist of:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and equipment</td>
<td>$ 700,262</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(581,591)</td>
</tr>
<tr>
<td></td>
<td>118,671</td>
</tr>
<tr>
<td>Website/database development costs</td>
<td>$ 47,272</td>
</tr>
<tr>
<td>Less: accumulated amortization</td>
<td>(38,253)</td>
</tr>
<tr>
<td></td>
<td>9,019</td>
</tr>
<tr>
<td>Property and equipment - net</td>
<td>$ 127,690</td>
</tr>
</tbody>
</table>

Depreciation and amortization expense for the year ended December 31, 2018 was $81,397.

8. LINE OF CREDIT

The Organization has a $200,000 revolving line of credit with a bank which expires in September 2019. 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 (5.50% at December 31, 2018), with a 4.75% floor, and is payable monthly. At December 31, 2018, there was no balance outstanding on the line of credit and the line was not utilized during 2018.

9. COMMITMENTS AND CONTINGENCIES

Facilities and Equipment Leases

The Organization has an office lease agreement which will expire in July 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.
9. COMMITMENTS AND CONTINGENCIES (continued)

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

<table>
<thead>
<tr>
<th>Year ending December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$305,349</td>
</tr>
<tr>
<td>2020</td>
<td>139,211</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$444,560</strong></td>
</tr>
</tbody>
</table>

For the year ended December 31, 2018, total rent expense under these leases was $289,841.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 have the following purpose and time restrictions:

- Diverse Emerging Environmental Leaders Initiative $1,702,814
- Leadership Development for Emerging Reproductive Health Leaders 263,452
- Next Generation Leadership of Color Leadership Development - Southern CA 250,000
- Network Weaving Learning Lab & Feasibility Study 44,907
- Next Generation Leadership of Color Leadership Development - Inland Region 9,251
- Fundraising Bright Spots 9,093
- Training Support for Participants 3,333

**Total** $2,282,850

11. 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.