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Certified Public Accountants
and Financial Advisors

COMPASSPOINT NONPROFIT SERVICES

Financial Statements

December 31, 2018

INDEX TO FINANCIAL STATEMENTS

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Certified Public Accountants
and Financial Advisors

Squar Milner LLP

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

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

	2018	2017
ASSETS		
Assets		
Cash and cash equivalents	$ 2,524,038	$ 1,748,988
Grants receivable, net	467,808	1,051,551
Accounts receivable	7,393	43,964
Government contracts receivable	-	2,650
Inventory	-	4,317
Prepaid expenses	45,701	103,520
Deposits	23,701	23,701
Property and equipment, net	127,690	209,448
Total assets	$ 3,196,331	$ 3,188,139
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 139,208	$ 194,490
Deferred rent	53,533	83,611
Deferred revenue	120,321	107,982
Total liabilities	313,062	386,083
Net Assets		
With donor restrictions	600,419	518,434
Without donor restrictions	2,282,850	2,283,622
Total net assets	2,883,269	2,802,056
Total liabilities and net assets	$ 3,196,331	$ 3,188,139

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

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

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

COMPASSPOINT NONPROFIT SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018 with summarized comparative totals for 2017

	2018							2017
	Program Services							
	Leadership Programs and Organizational Contracts	Public Events and Workshops	Publishing and Community Influence	Total Program Services	Management and General	Fundraising	Total	Total
Salaries and employee benefits	$ 647,907	$ 455,793	$ 119,908	$ 1,223,608	$ 483,852	$ 29,338	$ 1,736,798	$ 2,242,114
Organizational contracting	514,133	100,162	4,770	619,065	13,710	847	633,622	749,646
Insurance	4,064	3,195	832	8,091	6,606	227	14,924	17,367
Occupancy	95,410	75,023	19,527	189,960	68,941	5,336	264,237	257,434
Printing and publication	9,789	8,535	1,951	20,275	9,083	518	29,876	42,794
Meetings and conferences	126,911	21,823	1,709	150,443	6,833	467	157,743	169,106
Travel and reimbursement	43,676	749	2,574	46,999	431	33	47,463	73,472
Postage and shipping	-	-	-	-	-	-	-	3,312
Professional services	10,911	7,449	2,058	20,418	40,593	428	61,439	69,502
Telephone	2,015	1,707	412	4,134	1,336	104	5,574	6,517
Supplies	8,599	9,411	1,273	19,283	3,446	219	22,948	22,871
Depreciation and amortization	34,209	26,526	7,007	67,742	12,667	988	81,397	99,500
Donated goods and services	-	5,000	-	5,000	-	-	5,000	6,000
Equipment rental and maintenance	30	16,939	18	16,987	800	279	18,066	7,712
Bank service fees	1,028	1,274	210	2,512	4,505	57	7,074	16,981
Bad debt expense	-	-	-	-	-	-	-	3,267
Other	3,351	1,851	3,431	8,633	4,240	107	12,980	44,852
Total expenses	$ 1,502,033	$ 735,437	$ 165,680	$ 2,403,150	$ 657,043	$ 38,948	$ 3,099,141	$ 3,832,447

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

COMPASSPOINT NONPROFIT SERVICES
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018 with comparative totals for 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 81,213	$ (1,684,069)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	81,397	99,500
Loss on disposal of equipment	361	-
Changes in operating assets and liabilities		
Grants receivable	583,743	2,097,857
Accounts receivable	36,571	82,140
Government contracts receivable	2,650	4,141
Inventory	4,317	6,008
Prepaid expenses	57,819	4,439
Accounts payable and accrued liabilities	(55,282)	(101,170)
Deferred rent	(30,078)	(25,088)
Deferred revenue	12,339	161
Net cash provided by operating activities	775,050	483,919
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	-	(15,944)
Net cash used in investing activities	-	(15,944)
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).

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ 518,434	$ -
Temporarily restricted net assets	2,283,622	-
Net assets without donor restrictions	-	518,434
Net assets with donor restrictions	-	2,283,622
	$ 2,802,056	$ 2,802,056

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:	
Cash and cash equivalents	$ 2,524,038
Grants receivable	467,808
Accounts receivable	7,393
Total financial assets	2,999,239
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:

Furniture and equipment	$	700,262
Less: accumulated depreciation		(581,591)
		118,671
Website/database development costs		47,272
Less: accumulated amortization		(38,253)
		9,019
Property and equipment - net	$	127,690

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:

Year ending December 31,		
2019	$	305,349
2020		139,211
	$	444,560

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
	$	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.