

CompassPoint Nonprofit Services

Financial Statements

December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
CompassPoint Nonprofit Services

Report on the Financial Statements

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, 2020, 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 entity'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, 2020, 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 the CompassPoint Nonprofit Services 2019 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated January 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BAKER TILLY US, LLP

Baker Tilly US, LLP

San Francisco, California
August 20, 2021

COMPASSPOINT NONPROFIT SERVICES
STATEMENT OF FINANCIAL POSITION
December 31, 2020 with Summarized Comparative Totals for 2019

	2020	2019
ASSETS		
Assets		
Cash and cash equivalents	\$ 991,844	\$ 535,060
Investments	-	1,575,500
Receivables		
Grants receivable, net	759,139	1,566,017
Accounts receivable	32,732	4,389
Other	80,000	-
Prepaid expenses	62,809	69,100
Deposits	23,701	23,701
Property and equipment, net	50,799	85,274
Total assets	\$ 2,001,024	\$ 3,859,041
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 234,001	\$ 243,133
Deferred rent	-	18,465
Deferred revenue	76,179	74,047
Total liabilities	310,180	335,645
Net Assets		
Without donor restrictions	669,325	578,908
With donor restrictions	1,021,519	2,944,488
Total net assets	1,690,844	3,523,396
Total liabilities and net assets	\$ 2,001,024	\$ 3,859,041

COMPASSPOINT NONPROFIT SERVICES
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020 with Summarized Comparative Totals for 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Support				
Foundations	\$ 213,000	\$ 345,576	\$ 558,576	\$ 3,198,063
Individuals	22,814	-	22,814	16,946
In-kind donations	11,168	-	11,168	4,000
Total support	246,982	345,576	592,558	3,219,009
Revenue				
Contracts	106,331	-	106,331	137,486
Workshops	171,279	-	171,279	285,596
Total revenue	277,610	-	277,610	423,082
Net assets released from restriction	1,968,545	(1,968,545)	-	-
Total support and revenue	2,493,137	(1,622,969)	870,168	3,642,091
EXPENSES				
Program services	1,875,956	-	1,875,956	2,313,101
Management and general	809,674	-	809,674	694,637
Fundraising	58,888	-	58,888	38,480
Total expenses	2,744,518	-	2,744,518	3,046,218
Change in net assets from operation	(251,381)	(1,622,969)	(1,874,350)	595,873
OTHER REVENUES AND LOSSES				
PPP loan forgiveness income	323,830	-	323,830	-
Loss on return of grant	-	(300,000)	(300,000)	-
Interest income	11,167	-	11,167	33,430
Other income, net	6,801	-	6,801	10,824
	341,798	(300,000)	41,798	44,254
CHANGE IN NET ASSETS	90,417	(1,922,969)	(1,832,552)	640,127
NET ASSETS - beginning of year	578,908	2,944,488	3,523,396	2,883,269
NET ASSETS - end of year	\$ 669,325	\$ 1,021,519	\$ 1,690,844	\$ 3,523,396

COMPASSPOINT NONPROFIT SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020 with Summarized Comparative Totals for 2019

	2020						2019	
	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	\$ 539,259	\$ 611,964	\$ 144,908	\$ 1,296,131	\$ 582,646	\$ 47,184	\$ 1,925,961	\$ 1,890,074
Occupancy	89,941	99,498	23,478	212,917	82,272	7,358	302,547	293,937
Organizational contracting	117,934	22,323	4,656	144,913	54,949	1,384	201,246	466,762
Grants to others	78,000	-	-	78,000	-	-	78,000	60,000
Professional services	11,863	11,613	3,293	26,769	49,241	811	76,821	66,029
Depreciation and amortization	15,827	17,409	4,238	37,474	7,067	632	45,173	68,037
Meetings and conferences	14,476	5,250	406	20,132	2,041	104	22,277	66,655
Printing and publication	6,258	6,923	1,634	14,815	5,725	512	21,052	25,737
Supplies	5,949	7,872	839	14,660	3,202	262	18,124	22,334
Insurance	2,578	2,852	673	6,103	5,578	211	11,892	12,606
Donated services	-	-	-	-	11,168	-	11,168	4,000
Bank service fees	641	8,854	3	9,498	1,120	241	10,859	9,488
Travel and reimbursement	3,188	42	3	3,233	1,290	-	4,523	45,182
Equipment rental and maintenance	713	2,202	186	3,101	652	58	3,811	6,059
Other	5,599	2,074	537	8,210	2,723	131	11,064	9,318
Total expenses	\$ 892,226	\$ 798,876	\$ 184,854	\$ 1,875,956	\$ 809,674	\$ 58,888	\$ 2,744,518	\$ 3,046,218

COMPASSPOINT NONPROFIT SERVICES
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020 with Summarized Comparative Totals for 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,832,552)	\$ 640,127
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	45,173	68,037
Loss on return of restricted grant	300,000	-
PPP loan forgiveness	(323,830)	-
Changes in operating assets and liabilities		
Grants receivable, net	506,878	(1,098,209)
Accounts receivable	(28,343)	3,004
Other receivables	(80,000)	-
Prepaid expenses	6,291	(23,399)
Accounts payable and accrued liabilities	(9,132)	103,925
Deferred rent	(18,465)	(35,068)
Deferred revenue	2,132	(46,274)
Net cash used in operating activities	(1,431,848)	(387,857)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(13,973)	(1,371,604)
Proceeds from sale of investments	1,589,473	196,524
Purchase of equipment	(10,698)	(25,621)
Net cash provided by (used in) investing activities	1,564,802	(1,200,701)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	323,830	-
Net cash provided by financing activities	323,830	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	456,784	(1,588,558)
CASH AND CASH EQUIVALENTS - beginning of year	535,060	2,123,618
CASH AND CASH EQUIVALENTS - end of year	\$ 991,844	\$ 535,060

COMPASSPOINT NONPROFIT SERVICES
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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 in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

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.

COMPASSPOINT NONPROFIT SERVICES
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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.

Investments

Investments are stated at fair value based on quoted market prices. Gains and losses that result from market fluctuations are recognized in the period in which such fluctuation occurs in the statement of activities. Unrealized gains are included in the change in net assets in the accompanying statement of activities. Interest income is recorded when received by the Organization. Interest income is shown net of investment fees.

Fair Value Measurements

The Organization considers the use of market-based information over entity specific information in valuing its assets and liabilities valued at fair value, using a three-level hierarchy for fair value measurements, based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2: Observable inputs, other than quoted prices included within Level 1, for the asset or liability, either directly or indirectly through corroboration with observable market data (market corroborated inputs).
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

COMPASSPOINT NONPROFIT SERVICES
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and Accounts Receivable

Grants receivable include unconditional promises to give from donors. Accounts receivable represent amounts billed and accrued but not yet collected for services. Grants and accounts receivable are recorded at net realizable value. Grants receivable that are expected to be received in future years are discounted to the anticipated present value of future cash flows using a discount risk free rate. The Organization considers grants and accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

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. Leasehold improvements are recorded at cost and amortized on the straight-line basis over the shorter of the estimated useful lives of the respective assets or remaining term on the lease. 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

Grants and contributions revenue are evaluated under Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958), and are accounted for as nonreciprocal transactions. Unconditional contributions and grants received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and nature of any donor restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

COMPASSPOINT NONPROFIT SERVICES
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Contributions (continued)

Conditional contributions and grants are recognized only when the conditions they depend on are substantially met and contributions become unconditional. Grants and contributions to be received over more than one fiscal year are recorded at the present value of estimated future cash flows.

Management reviews the collectability of grants and contributions receivable and establishes reserves for uncollectible amounts when needed.

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, 2020, the value of donated services included as in-kind donations in the accompanying financial statements was \$11,168, and consisted of a donated license for the accounting system.

Contracts and Workshops

Revenue recognition for the Organization's consumer fees is evaluated under Accounting Standards Codification ("ASC") 606 through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Revenue from contracts includes revenue from consulting services and coaching sessions and is recognized when performance obligations under the terms of the contracts with the customers are satisfied. The contract generally consists of a combination of written agreements and invoices. The performance obligation represents performance of a contractually agreed-upon task, which may include consulting services and coaching sessions. Time and expense arrangements require the customer to pay based on the numbers of hours worked at contractually agreed-upon rates. The Organization recognizes revenue for these arrangements based on hours incurred and contracted rates utilizing the right-to-invoice practical expedient because the Organization has a right to consideration for services completed to date.

Revenue from workshops is recognized when the related services are provided. The performance obligation includes registration and training sessions on a specific date and time. The transaction price is fixed, and the amount is identified on the Organization's workshop fee schedule and standard pricing model. Discounts are established upfront and do not contain variable consideration. There are no significant financing components.

The Organization offers a ten-business day cancellation policy after registration in which guests can cancel for a full refund. After this time has expired, a cancellation fee may be charged in accordance with the Organization's terms and conditions.

COMPASSPOINT NONPROFIT SERVICES
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Contracts and Workshops (continued)

Revenue for contracts where customers receive benefit throughout the term of the contract are recognized over time. Revenue for all other contracts are recognized at a point-in-time. For the year ended December 31, 2020, the contract revenues recognized over time amounted to \$89,343, and contract revenues recognized at a point-in-time amounted to \$16,988.

Revenue for workshops is recognized at a point-in-time after the workshop takes place.

Payments in advance for consumer fees and workshops are reflected as deferred revenue in the statement of financial position.

Functional Allocation of Expenses

The costs of providing the various program services and supporting activities of the Organization are shown on the Statements of Activities and of Functional Expenses. Expenses that can be identified with a specific program or activity are allocated directly according to the function benefited. Certain costs, including occupancy, office supplies 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, 2019, from which the summarized information was derived. Certain reclassifications have been made to prior year balances in order to conform to the current year presentation.

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.

COMPASSPOINT NONPROFIT SERVICES
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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.

Recent Accounting Pronouncements

During February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-02, *Leases* (Topic 842). ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. FASB has issued subsequent standards that deferred the implementation date. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted.

During June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. FASB has issued subsequent standards to clarify, correct errors in or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. Early adoption is permitted for annual and interim periods beginning after December 15, 2018.

During September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021.

The Organization is currently evaluating the timing and impact of these standards on its financial statements.

COMPASSPOINT NONPROFIT SERVICES
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

3. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customer*, which replaces most existing revenue recognition guidance in U.S. GAAP. The Organization has adjusted the presentation of its financial statements accordingly (refer to Note 2, Revenue Recognition).

The core principle of ASC 606 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. Revenue is recognized when control of the promised goods or services is transferred to customers. ASC 606 also requires additional disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgements used. The Organization adopted ASC 606 effective January 1, 2020 using the modified retrospective method applied to all contracts that were not completed at the date of initial application. The adoption of ASC 606 did not have a material effect on the Organization's financial position or results of operations and there was no cumulative effect adjustment to the opening balance of retained earnings as of January 1, 2020 as a result of ASC 606 implementation.

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. The \$1 million in donor restricted net assets as of the year ended December 31, 2020, is expected to be released in 2021 to cover general expenditures, including salaries and ongoing operating expenses.

Financial assets at December 31, 2020:	
Cash and cash equivalents	\$ 991,844
Receivables	
Grants receivable, net	759,139
Accounts receivable	32,732
Other	<u>80,000</u>
Total financial assets	1,863,715
Donor restricted assets not expected to used within one year	<u>(4,286)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,859,429</u>

COMPASSPOINT NONPROFIT SERVICES
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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). At December 31, 2020, the Organization held investments in excess of the SIPC insurance limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

At December 31, 2020, 98% of the total grants receivable were from one grantor. Total revenue from two grantors made up 48% of the total revenue and support for the year ended December 31, 2020.

6. GRANTS RECEIVABLE

At December 31, 2020, grants receivable consist of the following:

Receivable in less than one year	\$ 762,500
Unamortized discount	<u>(3,361)</u>
Grants receivable, net	<u>\$ 759,139</u>

The Organization used a discount rate of 2.46% based on the daily treasury yield rate at the grant date.

7. EMPLOYEE RETENTION CREDIT

During the year ended December 31, 2020, the Organization determined it was eligible to receive the Employee Retention Credit ("ERC"), which was established as part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act. The Organization was eligible for the ERC due to partially suspended operations during certain calendar quarters in 2020 resulting from orders from an appropriate governmental authority limiting commerce, travel, or group meetings. The credit equals 50% of an employee's Qualified Wages, as defined by the CARES Act, an eligible employer pays in a calendar quarter. The maximum amount of Qualified Wages for each employee for all calendar quarters is \$10,000; therefore, the maximum annual credit for each employee is \$5,000. Accordingly, the Organization included ERC of \$80,000 with other receivables on the statement of financial position as of December 31, 2020 and recorded an equal offset to salaries and employee benefits related expenses in the statement of functional expenses for the year then ended.

COMPASSPOINT NONPROFIT SERVICES
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

8. PROPERTY AND EQUIPMENT

Property and equipment consist of:

Furniture and equipment	\$ 689,369
Leasehold improvements	13,622
	<u>702,991</u>
Less: accumulated depreciation	(653,264)
	<u>49,727</u>
Website/database development costs	47,272
Less: accumulated amortization	(46,200)
	<u>1,072</u>
Property and equipment - net	<u>\$ 50,799</u>

Depreciation and amortization expense for the year ended December 31, 2020 was \$45,173.

9. PAYCHECK PROTECTION PROGRAM

On April 27, 2020, the Organization received loan proceeds in the amount of \$323,830 under the Paycheck Protection Program (“PPP”) which was established as part of the CARES Act and is administered through the Small Business Administration (“SBA”). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a “covered period” (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over 2 years if issued before, or 5 years if issued after, June 5, 2020 at an interest rate of 1% with payments deferred until the SBA remits the borrower’s loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. The Organization may request to repay the loan over five years and the request is subject to the approval of the lender. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

The Organization met the PPP’s loan forgiveness requirements, and therefore, applied for forgiveness during December 2020. Legal release was received during December 2020, therefore, the Organization recorded forgiveness income of \$323,830 within its statement of activities for the year ended December 31, 2020.

COMPASSPOINT NONPROFIT SERVICES
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

9. PAYCHECK PROTECTION PROGRAM (continued)

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

Subsequent to year end, the Organization received a second PPP loan in the amount of \$345,340.

10. LINE OF CREDIT

The Organization had a \$200,000 revolving line of credit with a bank which expired in September 2020. The line was not utilized during 2020. In April 2021, the Organization reestablished the line of credit with the bank. The expiration of the new line of credit is September 2021.

11. COMMITMENTS AND CONTINGENCIES

Facilities and Equipment Leases

The Organization has an office lease agreement with monthly payments of \$24,412, which was extended from an original expiration date of July 2020 to July 2021. The Organization also has an equipment lease that was extended from an original expiration date of May 2020 to March 2023 with monthly payments of \$1,476.

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

Year ending December 31,

2021	\$	164,182
2022		17,712
2023		<u>3,690</u>
	\$	<u><u>185,584</u></u>

The future minimum lease payments above reflect the actual obligations as of December 31, 2020. However, the Organization intends to pay off the obligations within one year. For the year ended December 31, 2020, total rent expense under these leases was \$302,547.

COMPASSPOINT NONPROFIT SERVICES
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 have the following purpose and time restrictions:

Subject to expenditure for specific purposes:

Leadership Development for Emerging Reproductive Health Leaders	\$ 184,940
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Subject to passage of time:

Time restricted - general support releases in 2021	<u>836,579</u>
	<u>\$ 1,021,519</u>

For the year ended December 31, 2020, net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Time restricted - general support	\$ 866,726
Diverse Emerging Environmental Leaders Initiative	625,602
Leadership Development for Emerging Reproductive Health Leaders	292,008
Organizational Equity Leadership Development Program	113,329
Next Generation Leadership of Color Leadership Development - Inland Regio	65,880
Public Training Program	<u>5,000</u>
	<u>\$ 1,968,545</u>

13. 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.

14. UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") outbreak a pandemic. The worldwide spread of COVID-19 has resulted in a global slowdown of economic activity. As a result, The Organization may experience negative impacts to the results of its operations and its financial position. Currently, there is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. economy. In response, the Organization obtained a PPP loan from a bank under the CARES Act in the amount \$328,830 in April 2020 and utilized the Employee Retention Credit in the amount of \$80,000 for 2020. As provided for in the Act, the Organization applied for and received forgiveness of the PPP loan in December 2020 by using the proceeds of the note for qualified costs and maintaining employee headcount and salaries during the forgiveness period (refer to Note 9).

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14. UNCERTAINTIES (continued)

The Organization experienced a 16% reduction in unrestricted revenue in 2020 compared to calendar year 2019 due to the impact of the pandemic. The Organization plans to break even in operating income and expenses for 2021 as well due to decreased expense and potential revenue and payroll tax credits from government relief programs. Any additional impact on the operations and financial position of the Organization cannot be reasonably estimated at this time.

15. SUBSEQUENT EVENTS

Subsequent to year end, the Organization received a second PPP loan in the amount of \$345,340 (see Note 9). In addition, in March 2021, the Organization determined that it was eligible to claim ERC of \$112,971 for the first quarter of 2021.

The Organization has evaluated subsequent events for potential recognition or disclosure through August 20, 2021, the date which the financial statements were available to be issued.