CompassPoint Nonprofit Services

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

December 31, 2015
with comparative totals for 2014

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D|Z|H|PHILLIPS
Certified Public Accountants & Advisors

INDEPENDENT AUDITORS' REPORT

Board of Directors
CompassPoint Nonprofit Services

We have audited the accompanying financial statements of CompassPoint Nonprofit Services (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CompassPoint Nonprofit Services as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited CompassPoint Nonprofit Services 2014 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated July 14, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

DZH Phillips LLP

San Francisco, California
June 28, 2016

135 Main Street, 9th Floor, San Francisco, CA 94105
P 415-781-2500 | F 415-781-2530 | E cpas@dzhphillips.com
www.dzhphillips.com

CompassPoint Nonprofit Services

STATEMENT OF FINANCIAL POSITION

December 31, 2015 with comparative totals for 2014

	2015	2014
ASSETS		
ASSETS		
Cash and cash equivalents	$ 1,427,726	$ 630,107
Grants receivable	119,937	1,731,679
Accounts receivable	181,769	87,863
Accounts receivable - other	81,866	125,209
Government contracts receivable	11,950	44,433
Inventory	10,625	15,198
Prepaid expenses	86,070	100,451
Deposits	23,701	23,701
Other assets	-	340
Property and equipment - net	364,178	334,323
Total assets	$ 2,307,822	$ 3,093,304
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 360,410	$ 320,464
Deferred rent	128,797	143,906
Deferred revenue	157,277	135,941
Total liabilities	646,484	600,311
COMMITMENTS	-	-
NET ASSETS		
Unrestricted	508,233	310,642
Temporarily restricted	1,153,105	2,182,351
Total net assets	1,661,338	2,492,993
Total liabilities and net assets	$ 2,307,822	$ 3,093,304

The accompanying notes are an integral part of this statement.

CompassPoint Nonprofit Services

STATEMENT OF ACTIVITIES

Year ended December 31, 2015 with comparative totals for 2014

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Support				
Foundations	$ 339,000	$ 571,750	$ 910,750	$ 2,618,568
Individuals	16,280	-	16,280	12,306
Corporations	6,000	-	6,000	15,000
In-kind donations	1,500	-	1,500	21,000
Total support	362,780	571,750	934,530	2,666,874
Revenue				
Consumer fees	2,070,208	-	2,070,208	1,681,236
Government contracts	96,827	-	96,827	127,251
Publications	2,415	-	2,415	3,064
Royalties	9,528	-	9,528	13,384
Total revenue	2,178,978	-	2,178,978	1,824,935
Net assets released from restrictions	1,600,996	(1,600,996)	-	-
Total support and revenue	4,142,754	(1,029,246)	3,113,508	4,491,809
EXPENSES				
Program	3,279,848	-	3,279,848	3,186,503
Management and general	624,337	-	624,337	596,692
Fundraising	43,074	-	43,074	63,300
Total expenses	3,947,259	-	3,947,259	3,846,495
Change in net assets from operations	195,495	(1,029,246)	(833,751)	645,314
OTHER REVENUES				
Assets received from liquidating nonprofit organization	-	-	-	170,137
Interest income	1,281	-	1,281	2,192
Other income	815	-	815	1,168
	2,096	-	2,096	173,497
CHANGE IN NET ASSETS	197,591	(1,029,246)	(831,655)	818,811
Net assets - beginning of year	310,642	2,182,351	2,492,993	1,674,182
Net assets - end of year	$ 508,233	$ 1,153,105	$ 1,661,338	$ 2,492,993

The accompanying notes are an integral part of this statement.

CompassPoint Nonprofit Services

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2015 with comparative totals for 2014

	2015							2014
	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	$ 1,147,744	$ 376,247	$ 288,564	$ 1,812,555	$ 445,969	$ 35,630	$ 2,294,154	$ 2,289,351
Organizational contracting	448,599	57,623	72,957	579,179	45,994	774	625,947	395,715
Advertising and promotion	3,885	139	77	4,101	120	-	4,221	7,171
Insurance	5,593	2,178	2,678	10,449	5,156	166	15,771	14,801
Occupancy	125,885	49,215	34,268	209,368	43,661	3,690	256,719	255,060
Printing and publication	48,579	19,332	9,840	77,751	9,222	761	87,734	92,989
Meetings and conferences	196,491	15,792	5,325	217,608	13,231	151	230,990	279,382
Client professional development	19,482	-	170	19,652	-	-	19,652	31,510
Travel and reimbursement	114,091	4,176	6,276	124,543	1,458	1	126,002	128,904
Postage and shipping	5,466	1,651	1,035	8,152	416	14	8,582	10,294
Professional services	13,154	5,728	2,990	21,872	33,145	321	55,338	55,421
Telephone	7,545	2,590	1,022	11,157	819	19	11,995	14,305
Supplies	12,737	8,448	2,317	23,502	3,889	212	27,603	49,345
Depreciation and amortization	50,592	20,516	13,757	84,865	7,831	662	93,358	80,972
Donated goods and services	-	1,500	-	1,500	-	-	1,500	21,000
Computer and equipment expense	543	213	147	903	94	8	1,005	1,337
Cost of sales	-	-	1,240	1,240	-	-	1,240	1,213
Equipment rental and maintenance	2,740	1,408	845	4,993	4,344	49	9,386	7,204
Grants to others	35,000	-	-	35,000	-	-	35,000	67,455
Other	9,581	18,984	2,893	31,458	8,988	616	41,062	43,066
Total expenses	$ 2,247,707	$ 585,740	$ 446,401	$ 3,279,848	$ 624,337	$ 43,074	$ 3,947,259	$ 3,846,495

The accompanying notes are an integral part of this statement.

CompassPoint Nonprofit Services

STATEMENT OF CASH FLOWS

Year ended December 31, 2015 with comparative totals for 2014

	2015	2014
Cash flows provided by (used in) operating activities:		
Change in net assets	$ (831,655)	$ 818,811
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	93,358	80,972
Changes in operating assets and liabilities:		
Grants receivable	1,611,742	(1,427,739)
Accounts receivable	(93,906)	60,165
Accounts receivable - related party	-	12,385
Accounts receivable - other	43,343	(101,944)
Government contracts receivable	32,483	(40,963)
Inventory	4,573	(4,860)
Prepaid expenses	14,381	(15,552)
Accounts payable and accrued liabilities	39,946	59,615
Deferred rent	(15,109)	(10,120)
Deferred revenue	21,336	(3,062)
Net cash provided by (used in) operating activities	920,492	(572,292)
Cash flows used in investing activities:		
Website/database development costs and purchase of equipment	(122,873)	(94,320)
Net cash used in investing activities	(122,873)	(94,320)
Cash flows used in financing activities:		
Payments on note payable	-	(34,318)
Net cash used in financing activities	-	(34,318)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	797,619	(700,930)
Cash and cash equivalents - beginning of year	630,107	1,331,037
Cash and cash equivalents - end of year	$ 1,427,726	$ 630,107
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ -	$ 597

The accompanying notes are an integral part of this statement.

NOTE A - DESCRIPTION OF ORGANIZATION

CompassPoint Nonprofit Services (the "Organization") is a national, nonprofit leadership and strategy practice based in Oakland, CA that works to intensify the impact of fellow nonprofit leaders, organizations, and networks that are working for social justice. The Organization provides three types of services:

- The Organization runs several cohort leadership programs each year and engages with nonprofit organizations through consulting engagements in the areas of strategy, sustainability, internal leadership development, and governance.

- Senior practice members and key partners design and deliver roughly 150 public classes each year. The core content includes supervision and coaching skills, financial literacy, strategy development, and effective board service, among other subjects.

- Through online publishing activities, the Organization produces and curates content that informs and inspires leaders and capacity builders to consider and evolve their practices.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Financial statement presentation

The Organization's net assets are classified as follows:

Unrestricted Net Assets

Unrestricted net assets are net assets that are neither temporarily restricted nor permanently restricted by donors.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation (continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets are net assets for which use by the Organization is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled and removed by actions of the Organization.

Permanently Restricted Net Assets

Permanently restricted net assets are net assets for which use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can otherwise be removed by actions of the Organization. The Organization has no permanently restricted net assets at December 31, 2015.

Cash and cash equivalents

For the purpose of the statement of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents includes $1,153,105 of temporarily restricted funds at December 31, 2015.

Contributions, accounts and government contracts receivable

The Organization considers contributions, accounts, and government contracts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when that determination is made.

Inventory

Inventory consists of printed materials that are available for sale, which are stated at the lower of cost (first-in, first-out basis) or market value. Cost is determined by the manufacturers' printing and binding unit price.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment, if purchased, are recorded at cost or, if donated, at fair market value at the time of receipt. Furniture and equipment are depreciated over three to fifteen years, depending on their estimated useful lives on the straight-line basis. Website/database development costs are amortized over three to seven years depending on their estimated useful lives on the straight-line basis. The Organization generally capitalizes assets with an original cost over $2,000.

Deferred rent

The Organization's office lease agreement provides for rent escalations during the lease term. The Organization records rent expense on a straight-line basis over the term of the lease. Accordingly, deferred rent is recorded to the extent that cumulative rent expense exceeds actual rent payments.

Revenue recognition

Contributions

The Organization recognizes grants and donor contributions upon the earlier of receipt or when unconditionally promised. Grants and donor contributions without donor-imposed restrictions are reported as unrestricted support. Grants and donor contributions with donor-imposed restrictions are reported as temporarily restricted net assets and are then reclassified to unrestricted net assets when the restrictions have been satisfied. Conditional promises to give are not included as contributions until such time as the conditions are substantially met. Grants and donor contributions to be received over more than one fiscal year are recorded at the present value of estimated future cash flows.

In-kind donations

Donated services are recognized at fair value when received if such services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. During the year ended December 31, 2015, the value of donated services included as in-kind donations in the accompanying financial statements was $1,500, and consisted of workshop/conference instructors.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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 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, 2014, from which the summarized information was derived.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701d. Accordingly, it has not provided for income taxes in these financial statements.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Organization has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

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.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified to conform to the presentation in the current year financial statements.

Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through June 28, 2016, which represents the date financial statements were available to be issued.

NOTE C - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. 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, 2015, 96% of the total grants receivable was from one grantor, which was collected subsequent to year end.

NOTE D - GRANTS RECEIVABLE

Grants receivable of $119,937 as of December 31, 2015 consists of $117,750 in purpose restricted support to the Organization and $2,187 in general support.

Grants receivable are due as follows:

Year ending December 31,	
2016	$ 119,937

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consist of:

Furniture and equipment	$ 410,066
Less: accumulated depreciation	(255,376)
Website/database development costs	321,816
Less: accumulated amortization	(112,328)
Property and equipment - net	$ 364,178

Depreciation and amortization expense for the year ended December 31, 2015 was $93,358.

NOTE F - LINE OF CREDIT

The Organization has a $200,000 revolving line of credit with Torrey Pines Bank which expires in August 2016. The line of credit agreement calls for interest at 1.5% above the Wall Street Journal Prime rate (3.50% at December 31, 2015), with a 5.00% floor, and is payable monthly. At December 31, 2015, there was no balance outstanding on the line of credit and the line was not utilized during 2015. 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. As of December 31, 2015, the line of credit was out of compliance with respect to its minimum tangible net worth covenant.

NOTE G - COMMITMENTS AND CONTINGENCIES

Facilities and equipment leases

The Organization has an office lease agreement which will expire in 2020. The office lease has escalating monthly payments currently at $22,037 per month which will increase to $23,700 per month by the end of the lease term. The Organization also has an equipment lease that expires in 2017 with monthly payments of $3,728.

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

Year ending December 31,	
2016	$ 311,888
2017	279,597
2018	277,131
2019	282,120
2020	130,353
	$ 1,281,089

For the year ended December 31, 2015, total rent expense under these leases was $307,774.

NOTE G - COMMITMENTS AND CONTINGENCIES (continued)

Government grants and contracts

The Organization receives funding from governmental agencies and foundations in the form of grants and contracts. Accordingly, the Organization is subject to review or audit by these agencies regarding compliance with terms and conditions of the grants and contracts and specific program performance. Management believes that the Organization has complied with all aspects of the grant and contract provisions and that adjustment, if any, would be insignificant to the financial position of the Organization.

NOTE H - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2015 have the following purpose and time restrictions:

Blue Shield Against Violence Strong Field Project Leadership	$ 530,964
Leadership Coaching Focus on Organizational Sustainability	154,318
CA DV Field Network Weaver Planning	102,485
Next Generation Leadership of Color Leadership Development - Southern California	88,437
L.A. Fundraising Academy for Communities of Color	83,613
ETM, Cohort Planning, AAPIP	55,000
Projects Supporting Fundraising	50,000
Early Education Leaders	40,000
Coaching and Professional Development for Early Education Leaders	24,730
Other	12,657
Multicultural Leadership Development Learning	5,000
Training Support	5,901
	$ 1,153,105

NOTE I - RETIREMENT PLAN

The Organization has a 401(k) plan (defined contribution plan) for all employees who have completed a 90-day period of employment and are twenty-one years of age or older. The plan provides for discretionary contributions by the Organization, such amounts to be determined annually by the Board of Directors. Employees must complete 800 hours of service during the year to be entitled to an allocation of Organization contributions. The Organization matched 100% of the contributions of eligible employees up to 4% of eligible compensation in 2015. Vesting in the Organization's contributions is immediate.

The Organization contributed $55,122 to the plan for the year ended December 31, 2015.