

COMPASS WORKING CAPITAL, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

YEAR ENDED AUGUST 31, 2011

Smith  Sullivan
& Company PC

CERTIFIED PUBLIC ACCOUNTANTS

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COMPASS WORKING CAPITAL, INC.
REPORT ON FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2011 (UNAUDITED) AND 2010 (AUDITED)

Mission Statement

Compass Working Capital, Inc. ("Compass") provides incentive-based savings and financial coaching programs that enable low-income families to access opportunities, build assets, and achieve their financial aspirations. More broadly, Compass seeks to catalyze and expand asset building opportunities for low-income families by sharing innovative, replicable ideas that help place families on the pathway to economic security.

COMPASS WORKING CAPITAL, INC.

REPORT ON FINANCIAL STATEMENTS


YEARS ENDED AUGUST 31, 2011 (UNAUDITED) AND 2010 (AUDITED)

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Compass Working Capital, Inc.
Boston, Massachusetts

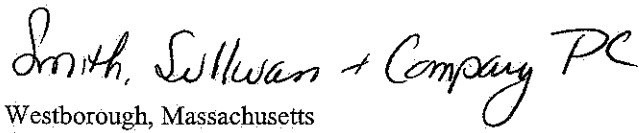
We have reviewed the accompanying statement of financial position of Compass Working Capital, Inc. (a Massachusetts nonprofit organization) as of August 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended August 31, 2010, were audited by us and we expressed an unqualified opinion on them in our report dated June 22, 2011, but we have not performed any auditing procedures since that date. The FY 2010 financial information has been extracted from those statements and is presented for comparative purposes only.


Westborough, Massachusetts
December 19, 2011

COMPASS WORKING CAPITAL, INC.

STATEMENTS OF FINANCIAL POSITION AS OF AUGUST 31, 2011 (UNAUDITED) AND 2010 (AUDITED)

ASSETS

	<u>2011</u> <i>(Unaudited)</i>	<u>2010</u> <i>(Audited)</i>
<u>CURRENT ASSETS:</u>		
Cash	\$ 200,559	\$ 124,723
Accounts Receivable, Program Services	4,539	27,396
Grant Receivable <i>(Notes 3 and 7)</i>	118,426	300,368
Contributions Receivable	10,000	6,854
Advances on Behalf of Participants	9,560	14,380
Prepaid Expenses and Deposits	<u>8,872</u>	<u>655</u>
Total Current Assets	<u>351,956</u>	<u>474,376</u>
<u>PROPERTY AND EQUIPMENT:</u> <i>(Note 3)</i>		
Equipment and Software	15,770	13,149
Less: Accumulated Depreciation	<u>(14,101)</u>	<u>(7,899)</u>
Net Property and Equipment	<u>1,669</u>	<u>5,250</u>
<u>NON-CURRENT ASSETS:</u>		
Non-Current Grant Receivable <i>(Notes 3 and 7)</i>	<u>-</u>	<u>152,426</u>
<u>TOTAL ASSETS</u>	<u>\$ 353,625</u>	<u>\$ 632,052</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	\$ 8,816	\$ 11,581
Accrued Payroll and Related Costs	8,891	944
Accrued IDA Program Matching Funds <i>(Note 3)</i>	54,554	117,461
Deferred Revenue <i>(Note 3)</i>	<u>77,047</u>	<u>43,763</u>
Total Current Liabilities	<u>149,308</u>	<u>173,749</u>
<u>NET ASSETS:</u>		
Unrestricted Net Assets (Deficit)	(28,494)	(7,387)
Temporarily Restricted Net Assets <i>(Note 4)</i>	<u>232,811</u>	<u>465,690</u>
Total Net Assets	<u>204,317</u>	<u>458,303</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 353,625</u>	<u>\$ 632,052</u>

COMPASS WORKING CAPITAL, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2011 (UNAUDITED)
(With Summarized Comparative Audited Totals for 2010)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ACTIVITIES</u> 2011 <i>(Unaudited)</i>	2010 <i>(Audited)</i>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>				
<i>Program Service Revenues:</i>				
Financial Coaching, Training and Consultation Fees	\$ 47,214	\$ -	\$ 47,214	\$ 56,248
Total Program Service Revenues	<u>47,214</u>	<u>-</u>	<u>47,214</u>	<u>56,248</u>
<i>Public Support:</i>				
Contributions, Foundation and Corporate Grants <i>(Note 7)</i>	56,631	-	56,631	621,150
Special Event Revenue, Net of Direct Costs <i>(Note 8)</i>	1,526	-	1,526	2,447
Government Grants	-	-	-	17,367
In-Kind Goods and Services <i>(Note 5)</i>	<u>71,386</u>	<u>-</u>	<u>71,386</u>	<u>76,887</u>
Total Public Support	<u>129,543</u>	<u>-</u>	<u>129,543</u>	<u>717,851</u>
<i>Other Revenues:</i>				
Interest Income	<u>250</u>	<u>-</u>	<u>250</u>	<u>252</u>
Total Other Revenues	<u>250</u>	<u>-</u>	<u>250</u>	<u>252</u>
<i>Reclassification of Net Assets:</i>				
Net Assets Released from Restriction <i>(Note 4)</i>	<u>232,879</u>	<u>(232,879)</u>	<u>-</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>409,886</u>	<u>(232,879)</u>	<u>177,007</u>	<u>774,351</u>
<u>FUNCTIONAL EXPENSES:</u>				
Program Services	347,632	-	347,632	261,065
Administrative	74,066	-	74,066	52,323
Fund Raising	<u>9,295</u>	<u>-</u>	<u>9,295</u>	<u>15,173</u>
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>430,993</u>	<u>-</u>	<u>430,993</u>	<u>328,561</u>
<u>CHANGE IN NET ASSETS</u>	(21,107)	(232,879)	(253,986)	445,790
<u>NET ASSETS (DEFICIT) - BEGINNING OF YEAR</u>	<u>(7,387)</u>	<u>465,690</u>	<u>458,303</u>	<u>12,513</u>
<u>NET ASSETS (DEFICIT) - END OF YEAR</u>	<u>\$ (28,494)</u>	<u>\$ 232,811</u>	<u>\$ 204,317</u>	<u>\$ 458,303</u>

COMPASS WORKING CAPITAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2011 (UNAUDITED)
(With Summarized Comparative Audited Totals for 2010)

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL EXPENSES</u>	
				<u>2011</u> <i>(Unaudited)</i>	<u>2010</u> <i>(Audited)</i>
Salaries and Wages	\$ 187,797	\$ 5,724	\$ 4,025	\$ 197,546	\$ 102,136
In-Kind Salaries <i>(Note 5)</i>	10,800	-	-	10,800	44,907
Payroll Taxes	18,157	552	353	19,062	7,748
Employee Benefits <i>(Note 9)</i>	16,094	490	313	16,897	12,953
Staff Recruitment, Development and Training	360	60	-	420	95
Contracted Services	22,836	-	-	22,836	-
Matching Funds for IDA Program Participants	3,010	-	-	3,010	53,800
Program and Participant Incentives	-	-	-	-	8,600
Reimbursable Participant Expenses	-	-	-	-	820
Rent and Occupancy <i>(Note 6)</i>	28,308	3,539	3,539	35,386	18,969
Insurance	1,480	185	185	1,850	964
Marketing	1,649	-	-	1,649	5,550
Depreciation <i>(Note 3)</i>	4,962	620	620	6,202	5,998
Conferences, Meetings and Events	1,423	342	-	1,765	1,931
Accounting and Auditing	-	18,702	-	18,702	15,603
In-Kind Professional Fees <i>(Note 5)</i>	30,293	30,293	-	60,586	31,980
Other Professional Fees	800	1,463	-	2,263	778
Program Supplies and Materials	7,513	-	-	7,513	2,554
Office Supplies and Expenses	-	2,857	-	2,857	1,761
Telecommunications	12,150	370	260	12,780	7,399
Postage and Printing	-	3,643	-	3,643	533
Bank, Payroll and Filing Fees	-	4,808	-	4,808	2,780
Miscellaneous	-	418	-	418	702
Total Functional Expenses	\$ 347,632	\$ 74,066	\$ 9,295	\$ 430,993	\$ 328,561

COMPASS WORKING CAPITAL, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2011 (UNAUDITED) AND 2010 (AUDITED)

	<u>2011</u> <i>(Unaudited)</i>	<u>2010</u> <i>(Audited)</i>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ (253,986)	\$ 445,790
<i>Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:</i>		
Depreciation	6,202	5,998
<i>(Increase) Decrease in Current Assets:</i>		
Accounts Receivable, Program Services	22,857	(16,384)
Grant Receivable	181,942	(296,368)
Contributions Receivable	(3,146)	13,260
Advances on Behalf of Participants	4,820	(820)
Prepaid Expenses and Deposits	(8,217)	(495)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	(2,765)	8,876
Accrued Payroll and Related Costs	7,947	-
Accrued IDA Program Matching Funds	(62,907)	949
Deferred Revenue	33,284	(17,367)
<i>(Increase) Decrease in Non-Current Assets:</i>		
Non-Current Grant Receivable	<u>152,426</u>	<u>(152,426)</u>
Net Adjustment	<u>332,443</u>	<u>(454,777)</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>78,457</u>	<u>(8,987)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of Equipment and Software	<u>(2,621)</u>	<u>(1,999)</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	75,836	(10,986)
<u>CASH - BEGINNING OF YEAR</u>	<u>124,723</u>	<u>135,709</u>
<u>CASH - END OF YEAR</u>	<u>\$ 200,559</u>	<u>\$ 124,723</u>
 <i>Supplemental Disclosures :</i>		
Interest and Finance Charges Paid	<u>\$ -</u>	<u>\$ -</u>
Income Taxes Paid	<u>\$ -</u>	<u>\$ -</u>

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

NOTE 1 ORGANIZATION

Compass Working Capital, Inc. (“Compass” or the “Organization”) was incorporated on December 30, 2005 under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. Compass Working Capital, Inc. has been classified as an organization which is not a private foundation under IRC Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

NOTE 2 PROGRAM SERVICES

Compass Working Capital, Inc. provides incentive-based savings and financial coaching programs that help low-income families access opportunities, build assets, and achieve their financial aspirations. More broadly, Compass seeks to catalyze and expand asset-building opportunities for low-income families by sharing innovative, replicable ideas that help place families on the pathway to economic security. Compass’ work builds on the principles of a national asset development field which has demonstrated that asset ownership reduces the intergenerational transfer of poverty, stabilizes families and neighborhoods, and enhances children’s educational achievement.

Expanding and strengthening its core Individual Development Account (IDA) program was the focus of the Organization’s efforts over its initial five years. Building on this successful first IDA product, Compass has analyzed growth opportunities and recently launched new programs that would enable it to promote asset building more broadly for working poor families. Key program services are summarized below:

Family Self-Sufficiency (FSS) Program:

In September 2010, Compass piloted a new, asset-building model for the Family Self-Sufficiency (FSS) program. Administered by the federal Department of Housing and Urban Development (HUD), FSS is an employment and savings program for families who live in federally subsidized housing. Building on proven asset development strategies, the Compass FSS program seeks to promote economic security for participating families and, more broadly, to expand the impact of FSS in Massachusetts and beyond. Offered through a unique partnership with Lynn Housing Authority and Neighborhood Development (LHAND), the Compass FSS program is currently open to Section 8 voucher holders from LHAND.

The Compass FSS program provides financial education, financial coaching, and a savings account for participants to help them achieve their financial goals. Compass provides customized financial coaching for participants to help them reach benchmark targets in five core areas: income and employment; credit and debt; savings; utilization of high quality financial services, and asset development. In addition, per federal guidelines, as participants increase their income at work, part of their rent goes into an escrow savings account. This account is held in the participant’s name by the housing authority, for up to five years. When participants graduate from the FSS program, they can use their savings for any goal, such as their children’s education, their own education, a home, a business, paying off debt, or establishing an emergency savings account. Overall, the FSS program provides a cost-effective and potentially scalable asset building program for Section 8 and public housing residents both in Massachusetts and around the country.

At the end of FY 2011, Compass had enrolled 76 families in the FSS program in Lynn. Compass is currently evaluating the feasibility of replicating its FSS model in a second community in FY 2012.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(Continued)

NOTE 2 *(Continued)*

Financial Coaching Programs:

In 2009, Compass introduced a contract-based financial coaching program designed to help other community organizations integrate asset building into their work. Notably, Compass developed a customized financial coaching program for a Boston-based nonprofit organization that offers college scholarships for formerly homeless and low-income single parents. In FY 2011, Compass expanded significantly its contract-based financial coaching programs, and the program now provides an earned revenue stream for the Organization. Moreover, the early results of the financial coaching program are promising. Participants have demonstrated strong gains in key financial health indicators, including utilization of high quality financial products, increased credit scores, and higher savings. To date, Compass has served approximately 200 families through its contract-based financial coaching programs.

Individual Development Account (IDA) Program:

Compass' IDA program provides financial education, financial coaching, and matched savings accounts for working, low-income parents to help them save toward homeownership, small business development, or post-secondary education. Participants commit to a monthly savings goal of \$25-\$75 and receive a 3:1 match on their savings. At the end of the two years savings period, participants can apply their savings toward an asset purchase. Compass offers the IDA program in Boston, Brookline, and Lynn and has enrolled 131 participants in this flagship program. Among program graduates, IDA participants who utilized their savings toward a first-time home purchase have, to date, leveraged more than \$3 million in affordable mortgage financing.

College Savings Initiative:

Building on its successful first IDA product, Compass launched a college savings initiative as a strategy to promote asset building more broadly for working poor families. Through education and outreach, Compass helps low-income families access 529 college savings plans, which offer an affordable but powerful means to save for college. In addition to helping families save for college, college savings plans have a significant impact on low-income students' aspirations and expectations about college. Through partnerships with Fidelity Investments, the Massachusetts Educational Financing Authority (MEFA), and local schools and nonprofit organizations, Compass has opened 136 college savings plans for families.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's financial statements are described below to enhance the usefulness of the financial statements to the reader. 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates; however, adherence to generally accepted accounting principles has, in management's opinion, resulted in reliable and consistent financial reporting by the Organization. The following policies should be read in conjunction with the accompanying notes to the financial statements.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(Continued)

NOTE 3 *(Continued)*

Basis of Accounting:

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

Fair Value of Financial Instruments:

As required by the *FASB Accounting Standards Codification*TM, the Organization adopted the provisions of Fair Value Measurements, and has applied its provisions to assets and liabilities that are recognized or disclosed at fair value on a recurring or nonrecurring basis (at least annually). Fair value measurement defines fair value, establishes a framework for measuring fair value, establishes a three-level fair value hierarchy based on the quality of inputs used to measure fair value and enhances the disclosure requirements for fair value measurements.

The three levels of the fair value hierarchy are as follows:

- Level 1 - inputs to the valuation methodology are quoted market prices for identical assets or liabilities in active markets.
- Level 2 - inputs to the valuation methodology include quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3 - inputs to the valuation methodology are based on prices or valuation techniques that are unobservable.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These classifications are related to the existence or absence of donor-imposed restrictions as listed below:

Unrestricted Net Assets - consists of assets, public support and program revenues which are available and used for operations, programs, and capital expenditures. Unrestricted net assets represents the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. In addition, unrestricted net assets of the Organization includes funds which represent unrestricted resources designated by the Board of Directors for specific purposes.

Temporarily Restricted Net Assets - includes funds with donor-imposed restrictions which permit the Organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(Continued)

NOTE 3 *(Continued)*

Permanently Restricted Net Assets - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets. For the years presented, the Organization did not have any assets of this nature.

Cash:

For the purpose of these financial statements, cash is defined as cash balances maintained in checking and savings accounts.

Accounts Receivable, Program Services:

Accounts Receivable, Program Services represents amounts due in connection with training and consulting services. These amounts are considered fully collectible by management; accordingly, these financial statements do not contain a provision for uncollectible receivables. If amounts owed become uncollectible, they will be charged to activities when that determination is made. The Organization did not experience any loss on uncollectible receivables for the years presented.

Grant Receivable:

Grant Receivable represents one multi-year grant commitment for the FSS program. Amounts scheduled for receipt within one year are reported as current, and amounts are reported as non-current when the expected date of receipt exceeds one year. The outstanding grant payments with expected receipt dates that extend beyond one year have not been discounted in these financial statements because these amounts are considered to be immaterial. According to the grant agreement, 42% of the final year, amounting to \$47,206, is conditional upon the program's achievement of certain milestones, and therefore, has not been reflected in the accompanying financial statements.

Management believes that this grant receivable is fully collectible, and therefore, no allowance for doubtful amounts has been established. If grants are determined to be uncollectible in subsequent periods, they will be charged to activities at that time. The Organization did not experience any loss on uncollectible grants for the years presented.

Property and Equipment:

Property, equipment and software, furnishing and improvement purchases in excess of \$1,000 are capitalized at cost, if purchased, or if donated, at fair value at the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas, major betterments are capitalized as additions to property and equipment. Depreciation of equipment and software is computed using the straight-line method, and is charged against income over the estimated useful lives of the assets, as expressed in terms of years. As of August 31, 2011 and 2010, property and equipment consisted of computer software and equipment with an estimated useful life of two years. Depreciation expense was \$6,202 and \$5,998 for the years ended August 31, 2011 and 2010, respectively.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(Continued)

NOTE 3 *(Continued)*

Accrued IDA Program Matching Funds:

Under the Organization's IDA program, participants set aside a minimum of \$25 per month for a two-year period. Compass then matches these funds on a 3:1 ratio for participant contributions up to \$75 per month, per participant, with a maximum match of \$225 per month or \$5,400 for the two-year savings period. *Accrued IDA Program Matching Funds* represents the cumulative earned (but unpaid) match funds recognized by Compass for each participant as of August 31, 2011 and 2010. The accrued matching funds are disbursed upon successful completion of the IDA program.

Deferred Revenue:

Deferred Revenue represents the portion of grant funds from the Massachusetts Department of Housing and Community Development ("DHCD") and the Lynn Housing Authority, which have been received by the Organization for IDA matching purposes and have not yet been earned by the participant. At the time the match is earned, the amounts are released from deferred revenue and recognized as government grant revenue. As of August 31, 2011, the Organization also had received funds in advance on a contract in the amount of \$28,750 which is included in *Deferred Revenue*.

Contributions, Gifts and Grants:

As required by the *FASB Accounting Standards Codification*TM, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved when such amounts are considered material.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

In-Kind Goods and Services:

As required by the *FASB Accounting Standards Codification*TM, the Organization maintains a policy whereby the value of the donated goods and services which require a specialized skill; and/or which would have otherwise been purchased by the Organization are recognized as revenue on the Statement of Activities and are listed as expenses on the Statement of Functional Expenses.

Functional Expenses:

Compass Working Capital, Inc. allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated according to the Organization's cost allocation plan as well as other payroll and level-of-effort based formulas.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(Continued)

NOTE 3 *(Continued)*

Supporting services are those related to operating and managing Compass Working Capital, Inc. and its programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Administrative - includes all activities related to Compass Working Capital, Inc.'s internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, indirect costs of special events, distribution of materials and other similar projects related to the procurement of funds for Compass Working Capital, Inc.'s programs. Fund raising expenses which represent direct costs of special events are netted against the related revenues. For the years ended August 31, 2011 and 2010, total fund raising expenses were \$14,294 and \$19,286, respectively.

Tax Position:

The *FASB Accounting Standards Codification*TM provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an organization's financial statements. The Organization adopted the provisions of this standard on September 1, 2009. The implementation of this standard did not have any impact on the financial position or net assets of the Organization.

The primary tax positions made by the Organization are the existence of Unrelated Business Income Tax and the Organization's status as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization currently evaluates all tax positions, and makes a determination regarding the likelihood of those positions being upheld under review. For the year presented, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on this evaluation. All tax periods prior to FY 2007 are no longer subject to examination by tax authorities.

NOTE 4 RESTRICTED NET ASSETS

As of August 31, 2011 and 2010, temporarily restricted net assets reflect grants and donations restricted for the following donor-specified purposes:

<u>Nature of Restriction</u>	<u>2011</u>	<u>2010</u>
FSS Program	\$214,044	\$445,690
IDA Program	<u>18,767</u>	<u>20,000</u>
Total	<u>\$232,811</u>	<u>\$465,690</u>

For the years presented, net assets were released from restriction for the following programs and purposes:

<u>Nature of Restriction</u>	<u>2011</u>	<u>2010</u>
FSS Program	\$231,646	\$ 7,104
IDA Program	<u>1,233</u>	<u>7,429</u>
Total	<u>\$232,879</u>	<u>\$14,533</u>

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(Continued)

NOTE 5 IN-KIND GOODS AND SERVICES

Compass Working Capital, Inc. receives volunteer involvement in the direct service, outreach and administrative capacities of the Organization. For the years ended August 31, 2011 and 2010, the Organization recognized the following in-kind contributions in its financial statements:

<u>Description</u>	<u>2011</u>	<u>2010</u>
Salaries	\$10,800	\$44,907
Professional Fees	<u>60,586</u>	<u>31,980</u>
Total	<u>\$71,386</u>	<u>\$76,887</u>

NOTE 6 OPERATING LEASE COMMITMENTS

Boston:

Effective October 1, 2009, the Organization entered into a one-year license agreement with Third Sector New England to occupy office space within the NonProfit Center in Boston, Massachusetts, with monthly payments of \$1,690. The term of the annual license agreement is for the period October 1 through September 30. This agreement has been renewed annually through September 30, 2011. Rent expense for the years ended August 31, 2011 and 2010 related to this lease was \$20,280 and \$18,590, respectively, and is included in *Rent and Occupancy* in the accompanying Statement of Functional Expenses.

Lynn:

On August 8, 2011, the Organization entered into a three-year lease agreement for a 1,987 square foot office in Lynn, Massachusetts. The lease term commences on September 1, 2012 and rent payments are fixed at \$1,987 per month for the three-year period.

As of August 31, 2011, future lease obligations under the existing lease obligations are as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
August 31, 2012	\$45,814
August 31, 2013	23,844
August 31, 2014	<u>23,844</u>
Total	<u>\$93,502</u>

NOTE 7 REVENUE CONCENTRATION

For the year ended August 31, 2010, one grant totaling \$452,794, accounted for 58% of total support and revenue in FY 2010, and 100% of current and non-current grant receivable for each of the years presented.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

(Continued)

NOTE 8 SPECIAL EVENT REVENUE

Compass hosts an annual fund raising breakfast. For the years ended August 31, 2011 and 2010, sponsorship and contribution revenue of \$6,525 and \$6,560 (net of \$4,999 and \$4,113 in direct costs), respectively, was recognized in the accompanying Statement of Activities as *Special Event Revenue, Net of Direct Costs*.

NOTE 9 EMPLOYEE BENEFIT PLAN

Effective November 1, 2010, Compass adopted a salary deferral plan, qualified under Section 403(b) of the Internal Revenue Code. The plan allows eligible employees of the Organization to defer a percentage of their earnings from current taxation by investing in annuities. The plan is funded by employee salary deferrals; therefore, these financial statements do not reflect an employee benefit plan expense for the salary deferral plan.

NOTE 10 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through December 19, 2011, the date which the financial statements were available for issue, and noted no events which met the criteria.