

COMPASS WORKING CAPITAL, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEAR ENDED AUGUST 31, 2017

(With Summarized Comparative Information for 2016)



COMPASS WORKING CAPITAL, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2017

(With Summarized Comparative Information for 2016)

Mission Statement

Compass Working Capital, Inc. (“Compass”) provides financial coaching and savings programs that support low-income families to build assets, achieve their financial goals, and become financially secure. Our broader vision is to build a leading, nonprofit financial services organization that promotes economic mobility and financial security for low-income families by influencing field-related practice and policy.

COMPASS WORKING CAPITAL, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2017

(With Summarized Comparative Information for 2016)

C O N T E N T S

	<i>Pages</i>
Independent Auditors' Report.....	1 - 2
Statements of Financial Position as of August 31, 2017 and 2016.....	3
Statement of Activities for the Year Ended August 31, 2017..... <i>(With Summarized Comparative Totals for 2016)</i>	4
Statement of Functional Expenses for the Year Ended August 31, 2017..... <i>(With Summarized Comparative Totals for 2016)</i>	5
Statements of Cash Flows for the Years Ended August 31, 2017 and 2016.....	6
Notes to Financial Statements.....	7 - 16



80 Flanders Road, Suite 200 Westborough, Massachusetts 01581
Tel: 508.871.7178 Fax: 508.871.7179 www.ssbcpa.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Compass Working Capital, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of August 31, 2017, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Compass Working Capital, Inc. as of August 31, 2017 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
Compass Working Capital, Inc.

Report on Summarized Comparative Information

We have previously audited Compass Working Capital, Inc.'s FY 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 13, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
December 13, 2017

COMPASS WORKING CAPITAL, INC.

STATEMENTS OF FINANCIAL POSITION AS OF AUGUST 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS:</u>		
Operating Cash	\$ 784,292	\$ 202,493
Restricted Cash	435,556	749,991
Accounts Receivable, Program Services	131,261	83,312
Grants and Contributions Receivable	1,093,899	529,944
Prepaid Expenses and Deposits	<u>22,971</u>	<u>17,012</u>
Total Current Assets	<u>2,467,979</u>	<u>1,582,752</u>
 <u>PROPERTY, EQUIPMENT AND SOFTWARE, NET</u>	 <u>136,494</u>	 <u>138,571</u>
 <u>NON-CURRENT ASSETS:</u>		
Grants and Contributions Receivable, Non-Current	<u>240,442</u>	<u>1,201,587</u>
Total Non-Current Assets	<u>240,442</u>	<u>1,201,587</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 2,844,915</u>	 <u>\$ 2,922,910</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	\$ 109,594	\$ 63,530
Accrued Payroll and Related Costs	33,983	35,548
Deferred Revenue	<u>25,833</u>	<u>7,663</u>
Total Current Liabilities	<u>169,410</u>	<u>106,741</u>
 <u>NET ASSETS:</u>		
Unrestricted Net Assets	905,608	337,896
Temporarily Restricted Net Assets	<u>1,769,897</u>	<u>2,478,273</u>
Total Net Assets	<u>2,675,505</u>	<u>2,816,169</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 2,844,915</u>	 <u>\$ 2,922,910</u>

COMPASS WORKING CAPITAL, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017
(With Summarized Comparative Totals for 2016)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ACTIVITIES</u> <u>2017</u>	<u>2016</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>				
<i>Program Service Revenues:</i>				
Program Service Revenue	\$ 840,057	\$ -	\$ 840,057	\$ 656,899
Total Program Service Revenues	840,057	-	840,057	656,899
<i>Gifts, Grants, and Contributions:</i>				
Contributions, Foundation and Corporate Grants	808,847	710,891	1,519,738	2,641,053
Change in Discount Applied to Non-Current Receivables	-	(40,484)	(40,484)	-
Proceeds from Fund Raising Event	162,404	1,949	164,353	124,316
Less: Cost of Direct Benefits to Donors	(36,468)	-	(36,468)	(19,277)
Donated Property, Equipment and Software	40,906	-	40,906	8,386
In-Kind Legal Services and Professional Fees	80,470	-	80,470	114,411
Total Gifts, Grants, and Contributions	1,056,159	672,356	1,728,515	2,868,889
<i>Other Revenues:</i>				
Miscellaneous Income	16,187	-	16,187	3,516
Total Other Revenues	16,187	-	16,187	3,516
<i>Reclassification of Net Assets:</i>				
Net Assets Released from Restriction	1,380,732	(1,380,732)	-	-
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>3,293,135</u>	<u>(708,376)</u>	<u>2,584,759</u>	<u>3,529,304</u>
<u>EXPENSES BEFORE IN-KIND SERVICES:</u>				
Program Services	2,116,667	-	2,116,667	1,597,935
Administrative	209,514	-	209,514	198,607
Fund Raising	318,772	-	318,772	152,153
<u>TOTAL EXPENSES BEFORE IN-KIND SERVICES</u>	<u>2,644,953</u>	<u>-</u>	<u>2,644,953</u>	<u>1,948,695</u>
In-Kind Legal Services and Professional Fees	80,470	-	80,470	114,411
<u>TOTAL EXPENSES</u>	<u>2,725,423</u>	<u>-</u>	<u>2,725,423</u>	<u>2,063,106</u>
<u>CHANGE IN NET ASSETS</u>	<u>567,712</u>	<u>(708,376)</u>	<u>(140,664)</u>	<u>1,466,198</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>337,896</u>	<u>2,478,273</u>	<u>2,816,169</u>	<u>1,349,971</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 905,608</u>	<u>\$ 1,769,897</u>	<u>\$ 2,675,505</u>	<u>\$ 2,816,169</u>

COMPASS WORKING CAPITAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2017

(With Summarized Comparative Totals for 2016)

	<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>2017</u>	<u>2016</u>
Salaries and Wages	\$ 1,220,562	\$ 127,189	\$ 206,094	\$ 1,553,845	\$ 1,157,623
Payroll Taxes	108,231	11,505	18,336	138,072	98,832
Employee Benefits	110,079	11,454	18,465	139,998	89,387
Staff Development and Training	35,441	1,463	4,049	40,953	7,107
Contracted Evaluation and Research Services	221,750	-	-	221,750	59,320
Other Professional Fees	88,458	9,457	30,935	128,850	106,950
Rent and Utilities	96,955	5,980	13,978	116,913	102,563
Insurance	3,947	2,380	718	7,045	2,048
Marketing/Outreach	19,660	-	1,301	20,961	21,886
Depreciation Expense	42,973	4,332	8,127	55,432	44,769
Conferences, Meetings and Travel	57,094	2,037	2,034	61,165	69,988
Fundraising Events	-	-	36,468	36,468	19,277
Accounting, Bookkeeping, and Audit Fees	-	19,127	-	19,127	39,198
Workshops	8,003	-	-	8,003	15,262
Other Program Activities	16,728	-	-	16,728	9,351
IT Services	37,644	6,107	5,118	48,869	59,678
Supplies and Equipment	10,422	396	513	11,331	15,678
Telecommunications, Computers, and Software	20,123	3,469	3,829	27,421	32,318
Postage and Printing	11,337	734	1,975	14,046	11,587
Bank Fees, Filing Fees and Dues	7,003	3,734	3,167	13,904	2,975
Miscellaneous	257	150	133	540	2,175
Total Functional Expenses Before In-Kind Services	2,116,667	209,514	355,240	2,681,421	1,967,972
In-Kind Legal Services and Professional Fees	60,677	19,793	-	80,470	114,411
Total Functional Expenses	2,177,344	229,307	355,240	2,761,891	2,082,383
Less: Cost of Direct Benefits to Donors	-	-	(36,468)	(36,468)	(19,277)
Expenses as Presented on the Statement of Activities	\$ 2,177,344	\$ 229,307	\$ 318,772	\$ 2,725,423	\$ 2,063,106

The Accompanying Notes are an Integral Part of these Financial Statements . . . Page 5

COMPASS WORKING CAPITAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ (140,664)	\$ 1,466,198
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
Depreciation Expense	55,432	44,769
Donated Property, Equipment and Software	(40,906)	(8,386)
Change in Discount on Pledges Receivable	(40,484)	-
<i>(Increase) Decrease in Current Assets:</i>		
Accounts Receivable, Program Services	(47,949)	(34,599)
Grants and Contributions Receivable	(563,955)	(62,733)
Prepaid Expenses and Deposits	(5,959)	(111)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	46,064	(59,129)
Accrued Payroll and Related Costs	(1,565)	18,691
Deferred Revenue	18,170	7,663
<i>(Increase) Decrease in Non-Current Assets:</i>		
Grants and Contributions Receivable, Non-Current	<u>1,001,629</u>	<u>(834,907)</u>
Net Adjustment	<u>420,477</u>	<u>(928,742)</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>279,813</u>	<u>537,456</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of Property, Equipment and Software	<u>(12,449)</u>	<u>(35,822)</u>
Net Cash Flows from Investing Activities	<u>(12,449)</u>	<u>(35,822)</u>
<u>NET INCREASE IN CASH BALANCES</u>	<u>267,364</u>	<u>501,634</u>
<u>CASH - BEGINNING OF YEAR</u>	<u>952,484</u>	<u>450,850</u>
<u>CASH - END OF YEAR</u>	<u>\$ 1,219,848</u>	<u>\$ 952,484</u>
 <i>Supplemental Disclosures :</i>		
Property Acquired by In-Kind Donation	<u>\$ 40,906</u>	<u>\$ 8,386</u>
 <i>Cash Balances :</i>		
Operating Cash	\$ 784,292	\$ 202,493
Restricted Cash	435,556	749,991
Total Cash Balances	<u>\$ 1,219,848</u>	<u>\$ 952,484</u>

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

(With Summarized Comparative Information for 2016)

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 financial coaching and savings programs that support low-income families to build assets, achieve their financial goals, and become financially secure. Our broader vision is to build a leading, nonprofit financial services organization that promotes economic mobility and financial security for low-income families by influencing field-related practice and policy.

Compass’ work builds on the research and practice of a broader asset development field, which has demonstrated the importance of helping low-income families build savings and assets as a pathway out of poverty.

Key program services are summarized below:

Family Self-Sufficiency (FSS) Program:

In 2010, Compass became the first nonprofit organization in the country to launch an asset-building model for the Family Self-Sufficiency (“FSS”) program, a historically underutilized federal housing program offered through the U.S. Department of Housing and Urban Development (“HUD”). The federal government established the FSS program in 1990 to help boost employment and savings for recipients of federal housing assistance. In order to ease the rent burden, eligible low-income families typically pay 30% of their income toward rent. This structure inadvertently discourages some residents from increasing their work hours and earnings since they worry about paying more rent and losing other benefits if their income increases. The FSS model changes the incentive structure by allowing participants to capture their increased rent payments in a savings account, held by the housing authority, which can be accessed upon completion of the program. Participants can utilize their savings to achieve their financial goals.

The Compass FSS model integrates financial coaching and asset building strategies into the traditional FSS model, with the goal of promoting economic mobility and financial security for participating families. The first public-private model of its kind in the country, the Compass FSS program is currently offered through partnerships with public housing authorities and nonprofit housing organizations in Massachusetts, Connecticut, and Rhode Island. The Compass FSS program has attracted local and national attention as a scalable, housing-based model to help working, low-income families build assets, achieve their goals, and become financially secure.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

(With Summarized Comparative Information for 2016)

(Continued)

NOTE 2 *(Continued)*

National Network:

In September 2016, Compass launched a National FSS Network to expand the scope and impact of the FSS program around the country. The network provides training and technical assistance to mission aligned partners around the country that are interested in implementing the Compass FSS model in their own local communities. Current network partners include public housing authorities, private affordable housing owners, and nonprofit organizations.

Financial Coaching Programs:

Compass provides contract-based financial coaching programs to help other community organizations integrate asset building into their work. These programs also provide an earned revenue stream for the Organization.

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.

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.

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.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

(With Summarized Comparative Information for 2016)

(Continued)

NOTE 3 (Continued)

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.

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.

The accompanying financial statements include certain FY 2016 comparative information. With respect to the Statement of Activities, such prior year information is not presented by net class and in the Statement of Functional Expenses, FY 2016 expenses by line item are in total rather than by functional category. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2016, from which the summarized information was derived.

Accounts Receivable, Program Services:

Accounts Receivable, Program Services represent amounts due in connection with training and consulting services, and from housing authorities pursuant to FSS contracts. These amounts are considered fully collectible by management; accordingly, these financial statements do not contain a provision for uncollectible receivables. If amounts are determined to be uncollectible in subsequent periods, an allowance will be established at that time. The Organization did not experience any loss on uncollectible receivables for the years presented.

Grants and Contributions Receivable:

Grants Receivable and *Contributions Receivable* represent multi-year commitments. 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. Promises to give with expected payment dates that extend beyond one year are discounted to their present value when such amounts are considered material.

Management believes that all receivables are fully collectible, and therefore, no allowance for doubtful amounts has been established. If amounts are determined to be uncollectible in subsequent periods, an allowance will be established at that time. The Organization did not experience any loss on uncollectible grants or contributions for the years presented.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

(With Summarized Comparative Information for 2016)

(Continued)

NOTE 3 *(Continued)*

Property, Equipment and Software:

Property, equipment and software purchases in excess of \$5,000 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 to activities over the estimated useful lives of the assets, as expressed in terms of years.

Deferred Revenue and Revenue Recognition:

For the years presented, the Organization received funds in advance on coaching, training and consultation contracts, and effective in FY 2017, annual license fees for national network members, which are included in *Deferred Revenue* in the accompanying Statement of Financial Position. Revenue related to these contracts is recognized as the services are rendered, and license fees are recognized ratably over the membership year.

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 at fair value 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 reported as expenses on the Statement of Functional Expenses or capitalized on the Statements of Financial Position.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

(With Summarized Comparative Information for 2016)

(Continued)

NOTE 3 (Continued)

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. 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, costs of special events, distribution of materials and other similar projects related to the procurement of funds for Compass Working Capital, Inc.'s programs.

Reclassifications:

Certain amounts in the prior year information have been reclassified to conform to the current year presentation. Specifically, the presentation of the direct costs of special events has been included within the Statement of Functional Expenses. Reclassifications made to the prior year information have no impact on total net assets or changes in net assets.

Recent Accounting Guidance:

In August 2016, the FASB issued ASC Update No. 2016-14, (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, with the goal of improving not-for-profit financial statements to provide more useful information to donors, grantors, creditors, and other financial statement users. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about the function and nature of expenses, liquidity, financial performance, and cash flows. This guidance will be effective for this Organization beginning after December 15, 2017 and is not expected to have a material effect on the Organization's financial position or change in net assets.

In May 2014, the FASB issued ASC Update No. 2014-09, (Topic 606) *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This updated guidance impacts non-for-profit entities that have revenue transactions other than contributions. In August 2015, the FASB issued ASC Update No. 2015-14, (Topic 606) *Revenue from Contracts with Customers*, which deferred the effective date of ASC Update No. 2014-09 by one year. This guidance will be effective for this Organization beginning after December 15, 2018 and is not expected to have a material effect on the Organization's financial position or change in net assets.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

(With Summarized Comparative Information for 2016)

(Continued)

NOTE 4 GRANTS AND CONTRIBUTIONS RECEIVABLE

As of August 31, 2017 and 2016, non-current grants and contributions receivable, discounted to fair value at a rate ranging from 2.74% to 5.33%, were due for collection as follows:

<u>Year to be Paid</u>	<u>2017</u>	<u>2016</u>
FY 2018	\$ -	\$ 923,816
FY 2019	36,834	100,000
FY 2020	89,231	125,000
FY 2021	<u>146,122</u>	<u>125,000</u>
Total Pledges	272,187	1,273,816
Less: Discount	<u>(31,745)</u>	<u>(72,229)</u>
Total	<u>\$240,442</u>	<u>\$1,201,587</u>

NOTE 5 PROPERTY, EQUIPMENT AND SOFTWARE

The following is a summary of the Organization's property, equipment and software as of August 31, 2017 and 2016:

<u>Asset Category</u>	<u>Est. Life</u>	<u>Cost</u>	<u>Accum. Deprn.</u>	<u>Net Book Value</u>	
				<u>2017</u>	<u>2016</u>
Leasehold Improvements	5	\$ 61,177	\$ 13,921	\$ 47,256	\$ 17,713
Software	2 - 3	104,537	71,744	32,793	66,056
Furniture and Equipment	5	<u>84,778</u>	<u>28,333</u>	<u>56,445</u>	<u>54,802</u>
Total		<u>\$250,492</u>	<u>\$113,998</u>	<u>\$136,494</u>	<u>\$138,571</u>

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

As of August 31, 2017 and 2016, temporarily restricted net assets reflect grants and donations restricted for the following donor-specified purposes:

<u>Nature of Restriction</u>	<u>2017</u>	<u>2016</u>
Direct FSS Service Sites*	\$ 102,236	\$ 236,158
National FSS Network	992,477	1,274,343
Advisory Council Participation	2,222	-
Data Security and Analysis	94,937	-
Time Restricted	<u>578,025</u>	<u>967,772</u>
Total	<u>\$1,769,897</u>	<u>\$2,478,273</u>

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

(With Summarized Comparative Information for 2016)

(Continued)

NOTE 6 *(Continued)*

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

<u>Nature of Restriction</u>	<u>2017</u>	<u>2016</u>
Direct FSS Service Sites*	\$ 308,756	\$433,208
National FSS Network	552,533	255,657
Advisory Council Participation	17,778	-
Data Security and Analysis	15,063	-
Lapse of Time Restrictions	<u>486,602</u>	<u>157,300</u>
Total	<u>\$1,380,732</u>	<u>\$846,165</u>

*Amounts included in temporarily restricted net assets for the Direct FSS Service Sites includes amounts restricted by donors for a specific FSS site.

NOTE 7 MAJOR SOURCES OF FUNDING

Fee-for-Service Partnerships:

In FY 2017, Compass had seven (eight in FY 2016) written agreements (e.g. Memorandums of Understanding or Professional Services Agreements) with public housing authorities, nonprofit housing agencies, and other nonprofit organizations that provide contract funding to Compass to support the FSS program or other financial coaching programs. These partnerships provide a strong and growing earned revenue stream for the organization. Five of these agreements represent multi-year agreements, with the remaining funding contingent upon Compass' ability to meet enrollment and performance targets. For the years ended August 31, 2017 and 2016, revenue from these partnerships totaled \$840,057 and \$656,899, respectively.

Conditional Grants:

During the year ended August 31 2017, the Organization was notified that three donors are recommending multi-year grants to Compass through donor-advised funds totaling \$1,300,000. Amounts paid to Compass under these gifts totaled \$500,000 for the year ended August 31, 2017. The remaining payments totaling \$800,000 are expected to be received as follows: \$500,000 in FY 2018, \$200,000 in FY 2019, and \$100,000 in FY 2020.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

(With Summarized Comparative Information for 2016)

(Continued)

NOTE 8 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, 2017 and 2016, the Organization recognized the following in-kind contributions in its financial statements:

<u>Description</u>	<u>2017</u>	<u>2016</u>
Legal Services	\$ 79,170	\$ 94,134
Professional Fees	1,300	20,000
Office Equipment, Furniture and Other*	<u>40,906</u>	<u>8,663</u>
Total	<u>\$121,376</u>	<u>\$122,797</u>

*For the years presented, Office Equipment, Furniture and Other represents donated goods that were capitalized and included in *Property, Equipment and Software* in the accompanying Statements of Financial Position.

NOTE 9 COMMITMENTS

Boston Office:

Through March 2017, the Organization was party to five-year lease agreement with Third Sector New England ("TSNE") to occupy office space within the NonProfit Center in Boston, Massachusetts. Under this agreement monthly payments were \$5,503. In April 2017, the Organization amended the lease agreement with TSNE to expand its office space and extend the lease term through September 2022. Monthly payments under the amended agreement range from \$7,358 to \$8,093. Rent expense related to the Boston office was \$76,589 and \$66,036, for the years ended August 31, 2017 and 2016, respectively, and is included in *Rent and Utilities* in the accompanying Statement of Functional Expenses.

Lynn Office:

The Organization occupies office space in Lynn, Massachusetts under a five-year lease agreement that expires in August 2019. For the years presented, monthly payments ranged from \$1,987 to \$2,153 and will increase to \$2,318 in FY 2019.

Information Technology Services:

In December 2015, the Organization entered into a three-year commitment for hosted exchange server and data backup services. Payments for these services were \$26,870 and \$26,782 for the years ended August 31, 2017 and 2016, respectively, and are included in *IT Services* in the accompanying Statement of Functional Expenses.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

(With Summarized Comparative Information for 2016)

(Continued)

NOTE 9 *(Continued)*

Future minimum payments for the remainder of the non-cancellable agreements are as follows:

<u>Fiscal Year Ended</u>	<u>Boston</u> <u>Facility</u>	<u>Lynn</u> <u>Facility</u>	<u>IT</u> <u>Services</u>	<u>Total</u> <u>Obligation</u>
August 31, 2018	\$ 90,988	\$25,831	\$25,476	\$142,295
August 31, 2019	91,233	27,818	8,492	127,543
August 31, 2020	93,931	-	-	93,931
August 31, 2021	96,874	-	-	96,874
August 31, 2022	<u>97,119</u>	<u>-</u>	<u>-</u>	<u>97,119</u>
Total	<u>\$470,145</u>	<u>\$53,649</u>	<u>\$33,968</u>	<u>\$557,762</u>

NOTE 10 EMPLOYEE RETIREMENT PLAN

Effective February 2016, Compass converted its 403(b) retirement savings plan to a qualified 401(k) retirement plan (the "Plan"). The Plan allows eligible employees of the Organization to defer a percentage of their earnings from current taxation. Under the Plan, Compass makes a matching contribution of up to 3% of gross salary for each employee who contributes to the plan. For the year ended August 31, 2017 and 2016, the employer contributions to the Plan were \$37,870 and \$17,675, respectively, and are included in *Employee Benefits* on the accompanying Statement of Functional Expenses.

NOTE 11 EMPLOYMENT ARRANGEMENT

Effective January 1, 2016, Compass entered into a co-employment agreement with TriNet for the purpose of outsourcing the Organization's human resource function, including employee benefits administration, payroll processing, tax remittance and reporting and workers compensation coverage. Accordingly, TriNet became the employer of record, while Compass continues to direct the day-to-day duties and activities of its employees. For purposes of financial and tax reporting, Compass continues to report and track the components of its personnel costs, maintaining the integrity of the specific line items as required for state and federal contract reporting.

NOTE 12 CONCENTRATIONS

Cash:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of uninsured cash deposits held at one financial institution. Cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution, and beginning in FY 2016, the Organization holds its excess cash balances in accounts which are fully insured by the Depositors Insurance Fund ("DIF"). Therefore, for the years presented, the Organization had no cash balances in excess of insurance limits. The Organization has not experienced any losses on uninsured cash balances and Management considers credit risk on cash to be low.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

(With Summarized Comparative Information for 2016)

(Continued)

NOTE 12 *(Continued)*

Revenue and Receivables:

For the years ended August 31, 2017 and 2016, multi-year gifts from three donors accounted for 87% and 83%, respectively, of total *Grants and Contributions Receivable*. These multi-year gifts accounted for 65% of total support and revenue for the year ended August 31, 2016. There was no concentration in support and revenue in FY 2017.

For the year ended August 31, 2017, amounts due from one customer represents 40% of total *Accounts Receivable, Program Services*.

Accounts Payable and Accrued Expenses:

As of August 31, 2017 and 2016, amounts owed to one vendor represents 84% and 61%, respectively, of total *Accounts Payable and Accrued Expenses*.

NOTE 13 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 13, 2017, the date which the financial statements were available for issue, and noted the following events that met the criteria:

Release of Restricted Funds:

On September 15, 2017, time restricted funds totaling \$200,000 were released to fund operations.

Conditional Grant:

On October 19, 2017, \$150,000 of the gifts through donor-advised funds expected to be received in FY 2018 were received.