

COMPASS WORKING CAPITAL, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEAR ENDED AUGUST 31, 2015

(With Summarized Comparative Information for 2014)

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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COMPASS WORKING CAPITAL, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2015

(With Summarized Comparative Information for 2014)

Mission Statement

Compass Working Capital, Inc. (“Compass”) provides incentive-based financial coaching and savings programs that empower working, 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 working poor families by influencing field-related practice and policy.

COMPASS WORKING CAPITAL, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2015

(With Summarized Comparative Information for 2014)

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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, 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 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, 2015 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 9, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
January 6, 2016

COMPASS WORKING CAPITAL, INC.

STATEMENTS OF FINANCIAL POSITION AS OF AUGUST 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ 450,850	\$ 418,313
Accounts Receivable, Program Services	48,713	20,646
Grants Receivable	449,911	288,633
Contributions Receivable	17,300	-
Prepaid Expenses and Deposits	<u>16,901</u>	<u>8,945</u>
Total Current Assets	<u>983,675</u>	<u>736,537</u>
 <u>PROPERTY, EQUIPMENT AND SOFTWARE, NET</u>	 <u>139,132</u>	 <u>790</u>
 <u>NON-CURRENT ASSETS:</u>		
Grants Receivable, Non-Current	361,680	378,605
Contributions Receivable, Non-Current	<u>5,000</u>	<u>-</u>
Total Non-Current Assets	<u>366,680</u>	<u>378,605</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 1,489,487</u>	 <u>\$ 1,115,932</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	\$ 122,659	\$ 3,654
Accrued Payroll and Related Costs	16,857	17,304
Accrued IDA Program Matching Funds	-	25,500
Deferred Revenue	<u>-</u>	<u>29,400</u>
Total Current Liabilities	<u>139,516</u>	<u>75,858</u>
 <u>NET ASSETS:</u>		
Unrestricted Net Assets	358,305	250,987
Temporarily Restricted Net Assets	<u>991,666</u>	<u>789,087</u>
Total Net Assets	<u>1,349,971</u>	<u>1,040,074</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 1,489,487</u>	 <u>\$ 1,115,932</u>

COMPASS WORKING CAPITAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015
(With Summarized Comparative Totals for 2014)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2015</u>	<u>TOTAL ACTIVITIES 2014</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>				
<i>Program Service Revenues:</i>				
Financial Coaching, Training and Consultation Fees	\$ 206,639	\$ -	\$ 206,639	\$ 95,542
Housing Authority/Agency Contract Revenue	<u>203,076</u>	<u>-</u>	<u>203,076</u>	<u>162,307</u>
Total Program Service Revenues	<u>409,715</u>	<u>-</u>	<u>409,715</u>	<u>257,849</u>
<i>Public Support:</i>				
Contributions, Foundation and Corporate Grants	288,691	786,602	1,075,293	1,151,794
Special Event Revenue, Net of Direct Costs	95,805	-	95,805	50,735
In-Kind Goods and Services	<u>90,749</u>	<u>-</u>	<u>90,749</u>	<u>133,664</u>
Total Public Support	<u>475,245</u>	<u>786,602</u>	<u>1,261,847</u>	<u>1,336,193</u>
<i>Other Revenues:</i>				
IDA Match Recapture	10,191	-	10,191	8,273
Miscellaneous Income	<u>4,318</u>	<u>-</u>	<u>4,318</u>	<u>3,201</u>
Total Other Revenues	<u>14,509</u>	<u>-</u>	<u>14,509</u>	<u>11,474</u>
<i>Reclassification of Net Assets:</i>				
Net Assets Released from Restriction	<u>584,023</u>	<u>(584,023)</u>	<u>-</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>1,483,492</u>	<u>202,579</u>	<u>1,686,071</u>	<u>1,605,516</u>
<u>FUNCTIONAL EXPENSES BEFORE IN-KIND SERVICES:</u>				
Program Services	1,062,908	-	1,062,908	623,189
Administrative	137,212	-	137,212	116,593
Fund Raising	<u>123,608</u>	<u>-</u>	<u>123,608</u>	<u>57,356</u>
<u>TOTAL FUNCTIONAL EXPENSES BEFORE IN-KIND SERVICES</u>	<u>1,323,728</u>	<u>-</u>	<u>1,323,728</u>	<u>797,138</u>
In-Kind Legal Services	50,046	-	50,046	116,864
In-Kind Financial Education Instructors	<u>2,400</u>	<u>-</u>	<u>2,400</u>	<u>16,800</u>
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>1,376,174</u>	<u>-</u>	<u>1,376,174</u>	<u>930,802</u>
<u>CHANGE IN NET ASSETS</u>	<u>107,318</u>	<u>202,579</u>	<u>309,897</u>	<u>674,714</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>250,987</u>	<u>789,087</u>	<u>1,040,074</u>	<u>365,360</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 358,305</u>	<u>\$ 991,666</u>	<u>\$ 1,349,971</u>	<u>\$ 1,040,074</u>

COMPASS WORKING CAPITAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2015

(With Summarized Comparative Totals for 2014)

	<u>PROGRAM SERVICES</u>	<u>ADMINI- STRATIVE</u>	<u>FUND RAISING</u>	<u>TOTAL FUNCTIONAL EXPENSES</u>	
				<u>2015</u>	<u>2014</u>
Salaries and Wages	\$ 651,302	\$ 54,965	\$ 86,970	\$ 793,237	\$ 468,849
Payroll Taxes	58,635	4,902	7,724	71,261	40,825
Employee Benefits	34,571	3,094	4,339	42,004	30,803
Staff Recruitment, Development and Training	1,800	1,772	40	3,612	1,580
Contracted Evaluation and Research Services	80,930	-	-	80,930	43,681
Other Professional Fees	39,295	6,320	1,787	47,402	15,763
Rent and Utilities	77,454	6,275	7,822	91,551	64,894
Insurance	-	1,581	-	1,581	1,825
Marketing/Outreach	11,300	-	4,409	15,709	11,739
Depreciation Expense	4,877	4,391	570	9,838	2,376
Conferences, Meetings and Travel	6,776	952	1,865	9,593	5,833
Accounting, Bookkeeping, and Audit Fees	-	41,309	-	41,309	40,859
Workshops	11,733	-	-	11,733	13,786
Other Program Activities	6,631	-	-	6,631	4,037
IT Services	27,142	2,041	2,751	31,934	21,256
Supplies and Equipment	17,396	3,038	2,084	22,518	9,190
Telecommunications	21,342	5,189	1,167	27,698	12,360
Postage and Printing	9,399	812	481	10,692	4,829
Bank Fees, Filing Fees and Dues	2,325	571	1,599	4,495	2,263
Miscellaneous	-	-	-	-	390
Total Functional Expenses Before In-Kind Services	1,062,908	137,212	123,608	1,323,728	797,138
In-Kind Legal Services	40,037	10,009	-	50,046	116,894
In-Kind Financial Education Instructors	2,400	-	-	2,400	16,800
Total Functional Expenses	<u>\$ 1,105,345</u>	<u>\$ 147,221</u>	<u>\$ 123,608</u>	<u>\$ 1,376,174</u>	<u>\$ 930,832</u>

COMPASS WORKING CAPITAL, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 309,897	\$ 674,714
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
Depreciation Expense	9,838	2,376
Donated Property, Equipment and Software	(38,303)	-
<i>(Increase) Decrease in Current Assets:</i>		
Accounts Receivable, Program Services	(28,067)	4,993
Grants Receivable	(161,278)	(124,508)
Contributions Receivable	(17,300)	2,100
Advances on Behalf of Participants	-	4,500
Prepaid Expenses and Deposits	(7,956)	18,403
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	119,005	3,654
Accrued Payroll and Related Costs	(447)	8,491
Accrued IDA Program Matching Funds	(25,500)	(23,587)
Deferred Revenue	(29,400)	29,400
<i>(Increase) Decrease in Non-Current Assets:</i>		
Grants Receivable, Non-Current	16,925	(228,605)
Contributions Receivable, Non-Current	(5,000)	-
Net Adjustment	(167,483)	(302,783)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>142,414</u>	<u>371,931</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of Property, Equipment and Software	(109,877)	-
Net Cash Flows from Investing Activities	(109,877)	-
<u>NET INCREASE IN CASH BALANCES</u>	<u>32,537</u>	<u>371,931</u>
<u>CASH - BEGINNING OF YEAR</u>	<u>418,313</u>	<u>46,382</u>
<u>CASH - END OF YEAR</u>	<u>\$ 450,850</u>	<u>\$ 418,313</u>
<i>Supplemental Disclosures :</i>		
Property Acquired by In-Kind Donation	\$ 38,303	\$ -

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

(With Summarized Comparative Information for 2014)

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 financial coaching and savings programs that empower working, 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 working poor families by influencing field-related practice and policy.

Through its core financial coaching and savings programs, Compass identifies and invests in low-income families who seek to build a strong financial future. By providing an integrated set of financial workshops, financial coaching sessions, and access to opportunities such as savings incentives and high quality financial products, Compass’s programs empower families to build their financial capabilities and to achieve their financial goals. Compass brings a singular focus on personal finance for low-income families, a unique expertise in the nonprofit field.

Compass’s 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 the completion of a financial education and coaching program. Participants can utilize their savings to achieve their financial goals and reduce their reliance on public assistance.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

(With Summarized Comparative Information for 2014)

(Continued)

NOTE 2 *(Continued)*

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 agencies in Massachusetts. The Compass FSS program has recently attracted local and national attention as a scalable, housing-based model to help working, low-income families build assets, reduce their reliance on public assistance, and become financially secure.

At the end of FY 2015, Compass had enrolled approximately 545 families in its FSS programs.

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. To date, Compass has served approximately 463 families through its contract-based financial coaching programs.

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.

These classifications are related to the existence or absence of donor-imposed restrictions as listed below:

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

(With Summarized Comparative Information for 2014)

(Continued)

NOTE 3 (Continued)

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.

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 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.

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. As of August 31, 2015 and 2014, the non-current portion of grants receivable were due within two years. 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. 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, they will be charged to activities at that time. The Organization did not experience any loss on uncollectible grants or contributions for the years presented.

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.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

(With Summarized Comparative Information for 2014)

(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 2:1 or 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. As the participants fund their accounts, Compass records an expense for the accrued match obligation. *Accrued IDA Program Matching Funds* represents the cumulative earned (but unpaid) match funds recognized by Compass for each participant as of August 31, 2014. The accrued matching funds are disbursed upon successful completion of the IDA program. If the participant does not complete the program, the obligation for the accrued match expires and the funds restored in accordance with the terms of the funding agreements. As of August 31, 2015, the IDA was fully completed, and no amounts were due to participants.

Deferred Revenue and Revenue Recognition:

As of August 31, 2014, the Organization received funds in advance on a coaching, training and consultation contract in the amount of \$29,400, which was included in *Deferred Revenue*. Revenue related to this contract is recognized as the services are rendered. There were no such amounts as of August 31, 2015.

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 reported as expenses on the Statement of Functional Expenses or capitalized on the Statement of Financial Position.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

(With Summarized Comparative Information for 2014)

(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, 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, 2015 and 2014, total fund raising expenses, including both indirect fund raising expenses and direct costs of fund raising events, were \$137,827 and \$76,230, respectively.

Tax Position:

The Organization currently evaluates all tax positions, and makes a determination regarding the likelihood of those positions being upheld under review. 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. For the years presented, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on this evaluation.

NOTE 4 PROPERTY, EQUIPMENT AND SOFTWARE

The following is a summary of the Organization's property, equipment and software as of August 31, 2015 and 2014:

<u>Asset Category</u>	<u>Est. Life</u>	<u>Cost</u>	<u>Accum. Deprn.</u>	<u>Net Book Value</u>	
				<u>2015</u>	<u>2014</u>
Leasehold Improvements	5	\$ 12,226	\$ 2,067	\$ 10,159	\$ -
Software	2 - 3	86,491	8,538	77,953	790
Furniture and Equipment	5	<u>54,212</u>	<u>3,192</u>	<u>51,020</u>	<u>-</u>
Total		<u>\$152,929</u>	<u>\$13,797</u>	<u>\$139,132</u>	<u>\$790</u>

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

(With Summarized Comparative Information for 2014)

(Continued)

NOTE 5 RESTRICTED NET ASSETS

As of August 31, 2015 and 2014, temporarily restricted net assets reflect grants and donations restricted for the following donor-specified purposes:

<u>Nature of Restriction</u>	<u>2015</u>	<u>2014</u>
FSS Program*	\$794,366	\$533,488
Technology	-	95,599
Time Restricted	<u>197,300</u>	<u>160,000</u>
Total	<u>\$991,666</u>	<u>\$789,087</u>

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

<u>Nature of Restriction</u>	<u>2015</u>	<u>2014</u>
FSS Program*	\$264,122	\$154,250
Technology	178,601	91,385
Planning	-	35,000
Lapse of Time Restrictions	141,300	100,000
IDA Program	-	<u>6,090</u>
Total	<u>\$584,023</u>	<u>\$386,725</u>

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

NOTE 6 MAJOR SOURCES OF FUNDING AND CONDITIONAL GRANTS

Conditional Grants:

In FY 2013, the Organization received a three-year technology grant, the second and third years of which were conditional upon Compass both allocating the funds toward specified expenditures and achieving a number of benchmarks. Amounts granted to Compass under this award totaled \$83,002 and \$100,130 for the years ended August 31, 2015 and 2014, respectively.

During each of the years presented, Compass was also a party to another multi-year grant agreement, a portion of which is subject to a 1:1 matching requirement. Amounts paid to Compass under this award totaled \$75,392 and \$141,176 for the years ended August 31, 2015 and 2014, respectively.

There were no outstanding conditional grants as of August 31, 2015.

Fee-for-service Partnerships:

In July 2012, Compass signed a Memorandum of Understanding (“MOU”) with Cambridge Housing Authority (“CHA”) which stipulates that CHA will provide up to \$295,000 in contract funding to Compass to support the FSS program in Cambridge from FY 2013 – FY 2016. The Organization received \$75,000 during each of the years ended August 31, 2015 and 2014, and the remaining funding is contingent upon Compass’ ability to meet enrollment and performance targets.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

(With Summarized Comparative Information for 2014)

(Continued)

NOTE 6 *(Continued)*

In September 2013, Compass entered into a second MOU with Lynn Housing Authority and Neighborhood Development (“LHAND”) to extend its FSS model to LHAND’s public housing program. The MOU stipulates that LHAND will pay to Compass all of its annual HUD public housing FSS funding during the term (through August 31, 2018), projected at \$50,000 per year. The Organization received \$53,076 and \$50,000 under this agreement during the years ended August 31, 2015 and 2014, respectively.

In February 2014, Compass signed a Professional Services Agreement with The Caleb Group (“Caleb”) to implement a financial coaching and savings program at two of its properties. The agreement has a term of two years and stipulates that Caleb will pay Compass \$55,200 per year for services and administration, plus variable expenses. The Organization received \$52,896 and \$33,903 under this agreement during the years ended August 31, 2015 and 2014, respectively.

In April 2014, Compass signed a MOU with Metropolitan Boston Housing Partnership (“MBHP”) to expand the FSS program to Boston. Under this agreement, MBHP will provide up to \$225,000 in contract funding to Compass for an initial term of three years. The Organization received \$75,000 and \$25,000 under this agreement during the years ended August 31, 2015 and 2014, respectively, and the remaining funding is conditional upon Compass’ ability to meet enrollment and performance targets.

In November 2014, Compass signed a Professional Services Contract with the Boston Housing Authority (“BHA”) as part of the Massachusetts Learning, Employment and Assets Program (“Mass LEAP”), a multi-year family self-sufficiency program for residents of state subsidized housing. Under this contract, BHA will provide up to \$207,950 in contract funding to Compass for an initial term of three years. The Organization received \$76,040 during the year ended August 31, 2015.

NOTE 7 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, 2015 and 2014, the Organization recognized the following in-kind contributions in its financial statements:

<u>Description</u>	<u>2015</u>	<u>2014</u>
Legal Services	\$50,046	\$116,864
Office Equipment and Furniture	38,303	-
Financial Education Instructors	<u>2,400</u>	<u>16,800</u>
Total	<u>\$90,749</u>	<u>\$133,664</u>

NOTE 8 SPECIAL EVENT REVENUE

Compass hosts an annual fund raising breakfast. For the years ended August 31, 2015 and 2014, ticket sales, sponsorship and contribution revenue of \$110,024 and \$69,609 (net of \$14,219 and \$18,874 in direct costs), respectively, was recognized in the accompanying Statement of Activities as *Special Event Revenue, Net of Direct Costs*.

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

(With Summarized Comparative Information for 2014)

(Continued)

NOTE 9 COMMITMENTS

Boston Office:

Through September 2014, the Organization was a party to an annually-renewable lease agreement with Third Sector New England (“TSNE”) to occupy office space within the NonProfit Center in Boston, Massachusetts. Monthly rent payments under this agreement ranged from \$1,859 to \$3,800. Rent expense related to this lease was \$4,063 and \$36,278, for the years ended August 31, 2015 and 2014, respectively.

In October 2014, the Organization entered into a five-year lease agreement with TSNE to expand its office space at the NonProfit Center. Monthly payments are \$5,503 for the first three years of the agreement and escalate to \$5,686 for the last two years of the agreement. Rent expense related to this lease was \$54,663, for the year ended August 31, 2015 and is included in *Rent and Utilities* in the accompanying Statement of Functional Expenses.

Lynn Office:

On August 8, 2011, the Organization entered into a three-year lease agreement for 1,987 square feet of office space in Lynn, Massachusetts. The lease term commenced on September 1, 2011 and rent payments were fixed at \$1,987 per month for the initial three-year period. In August 2014, the Organization extended the lease agreement for an additional five years, through August 31, 2019. Monthly payments will remain at \$1,987 through August 31, 2016 and will increase to \$2,153 in FY 2017 and FY 2018 and \$2,318 in FY 2019.

IT Services:

On April 30, 2013, the Organization entered into a two-year commitment for hosted exchange server and data backup services. Payments for these services were \$20,692 and \$17,089 for the years ended August 31, 2015 and 2014, respectively, and are included in *IT Services* in the accompanying Statement of Functional Expenses.

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

<u>Fiscal Year Ended</u>	<u>Boston Facility</u>	<u>Lynn Facility</u>	<u>Total Lease Obligation</u>
August 31, 2016	\$ 66,036	\$ 23,844	\$ 89,880
August 31, 2017	66,036	25,831	91,867
August 31, 2018	68,049	25,831	93,880
August 31, 2019	68,232	27,818	96,050
August 31, 2020	<u>5,686</u>	<u>-</u>	<u>5,686</u>
Total	<u>\$274,039</u>	<u>\$103,324</u>	<u>\$377,363</u>

COMPASS WORKING CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

(With Summarized Comparative Information for 2014)

(Continued)

NOTE 10 EMPLOYEE BENEFIT PLAN

Compass maintains 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 11 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. As of August 31, 2015 and 2014, cash balances in excess of the FDIC coverage were \$98,421 and \$180,702, respectively. The Organization has not experienced any losses on uninsured cash balances and Management considers credit risk on cash to be low.

Revenue and Receivables:

For the year ended August 31, 2015, amounts from three multi-year grants make up 81% of total *Grants Receivable*. For the year ended August 31, 2015, amounts from two multi-year gifts make up 100% of total *Contributions Receivable*. There was no concentration in support and revenue in FY 2015.

For the year ended August 31, 2014, a multi-year grant from one foundation accounted for 31% of total support and revenue, and amounts due on this grant account for 75% of total *Grants Receivable*.

Accounts Payable and Accrued Expenses:

As of August 31, 2015, amounts owed to two vendors comprised 76% of total *Accounts Payable and Accrued Expenses*.

NOTE 12 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 January 6, 2016, the date which the financial statements were available for issue, and noted that, as of the financial statement reporting date, there were no uninsured cash deposits held with any financial institution.