

COMPAS, INC.

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2020**

COMPAS, INC.

FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative totals for 2019)

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Mahoney Ulbrich Christiansen Russ P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
COMPAS, Inc.
Saint Paul, Minnesota

We have audited the accompanying financial statements of COMPAS, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of COMPAS, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As discussed in Note 2 to the financial statements, COMPAS, INC. has adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and the related ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to those matters.

Report on Summarized Comparative Information

We have previously audited COMPAS, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mahoney Ulbrich
Christiansen Russ P.A.*

December 2, 2020

COMPAS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2020
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 276,295	\$ 115,515
Accounts receivable, net	18,360	10,903
Contributions and grants receivable, net	44,175	77,506
Prepaid expenses	20,484	11,222
	<u> </u>	<u> </u>
Total assets	<u>\$ 359,314</u>	<u>\$ 215,146</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 13,472	\$ 62,603
Accrued payroll and related	12,601	10,953
Deferred revenue	38,489	28,450
Refundable advances	150,769	-
Total liabilities	<u>215,331</u>	<u>102,006</u>
Net assets		
Without donor restrictions	2,168	(72,934)
With donor restriction	141,815	186,074
	<u> </u>	<u> </u>
Total net assets	<u>143,983</u>	<u>113,140</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 359,314</u>	<u>\$ 215,146</u>

See Accompanying Notes to Financial Statements.

COMPAS, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020			2019
	Without donor restrictions	With donor restrictions	Total	
Support and revenue:				
Support				
Foundation and corporate contributions	\$ 235,907	\$ 164,535	\$ 400,442	\$ 390,418
Forgivable PPP loan	99,100	-	99,100	-
Government grants	136,662	-	136,662	184,368
Individual contributions	92,527	-	92,527	91,448
In-kind contributions	48,066	-	48,066	10,299
Special event - contributions	37,100	-	37,100	56,669
Special event - ticket sales (net of direct donor benefits of \$25,522 in 2020 and \$27,818 in 2019)	(11,262)	-	(11,262)	(1,927)
Net assets released from time and purpose restrictions	208,794	(208,794)	-	-
Total support	846,894	(44,259)	802,635	731,275
Revenue				
Program service fees	394,710	-	394,710	492,460
Interest	14	-	14	11
Miscellaneous revenue	2,766	-	2,766	1,505
Total revenue	397,490	-	397,490	493,976
Total support and revenue	1,244,384	(44,259)	1,200,125	1,225,251
Expenses:				
Program services				
Creative Classroom	341,084	-	341,084	435,357
Creative Community	562,808	-	562,808	550,825
Total program services	903,892	-	903,892	986,182
Management and general	153,279	-	153,279	154,562
Fundraising	112,111	-	112,111	131,522
Total expenses	1,169,282	-	1,169,282	1,272,266
Change in net assets	75,102	(44,259)	30,843	(47,015)
Net assets:				
Beginning of year	(72,934)	186,074	113,140	160,155
End of year	\$ 2,168	\$ 141,815	\$ 143,983	\$ 113,140

See Accompanying Notes to Financial Statements.

COMPAS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020							2019
	Creative Classroom	Creative Community	Total program services	Management and general	Fundraising	Direct donor benefits	Total	
Salaries and seasonal wages	\$ 129,359	\$ 205,043	\$ 334,402	\$ 41,923	\$ 67,242	\$ -	\$ 443,567	\$ 446,225
Payroll taxes	10,718	17,288	28,006	3,364	5,623	-	36,993	34,091
Employee benefits	12,410	23,860	36,270	3,472	7,570	-	47,312	50,602
Total salaries and related expenses	152,487	246,191	398,678	48,759	80,435	-	527,872	530,918
Contract artists	123,997	208,763	332,760	320	70	-	333,150	438,086
Exhibit, designer and artwork	-	-	-	-	-	-	-	1,123
Supplies	21,149	30,198	51,347	2,104	2,984	1,719	58,154	55,758
Artist travel and training	20,828	25,592	46,420	-	-	-	46,420	36,885
Audit and accounting	-	-	-	7,600	-	-	7,600	8,214
IT services, technology and website	4,466	3,093	7,559	10,628	3,921	-	22,108	19,994
Other professional services	2,875	15,507	18,382	52,421	11,260	2,250	84,313	44,865
Occupancy	10,157	16,592	26,749	5,790	4,076	15,128	51,743	23,021
Telephone	1,545	1,070	2,615	3,677	1,357	-	7,649	6,370
Equipment rental and leases	-	1,047	1,047	5,658	8	-	6,713	4,077
Printing and copying	575	1,443	2,018	2,067	1,752	-	5,837	65,443
Postage and shipping	1,016	522	1,538	1,382	418	-	3,338	4,962
Memberships and dues	-	916	916	760	585	-	2,261	2,043
Travel, meetings, food and beverage	1,572	491	2,063	449	107	6,425	9,044	28,543
Insurance	-	-	-	6,798	-	-	6,798	2,790
Marketing and advertising	-	3,945	3,945	-	160	-	4,105	10,408
Bad debts	-	7,000	7,000	-	-	-	7,000	2,700
Bank fees	-	-	-	1,596	3,728	-	5,324	3,587
Miscellaneous expenses	417	438	855	3,270	1,250	-	5,375	10,297
Total expenses before removal of special event direct donor benefits	341,084	562,808	903,892	153,279	112,111	25,522	1,194,804	1,300,084
Special event direct donor benefits	-	-	-	-	-	(25,522)	(25,522)	(27,818)
Total expenses	\$ 341,084	\$ 562,808	\$ 903,892	\$ 153,279	\$ 112,111	\$ -	\$ 1,169,282	\$ 1,272,266
	<u>29.2%</u>	<u>48.1%</u>	<u>77.3%</u>	<u>13.1%</u>	<u>9.6%</u>	<u>0.0%</u>	<u>100.0%</u>	

See Accompanying Notes to Financial Statements.

COMPAS, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 30,843	\$ (47,015)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Bad debts	7,000	2,700
Changes in operating assets and liabilities:		
Accounts receivable	(14,457)	41,702
Contributions and grants receivable	33,331	(41,501)
Prepaid expenses	(9,262)	(10,768)
Accounts payable	(49,131)	(17,392)
Accrued payroll and related	1,648	901
Deferred revenue and refundable advances	160,808	20,762
Net cash flows from operating activities	<u>160,780</u>	<u>(50,611)</u>
Net increase (decrease) in cash	160,780	(50,611)
Cash, beginning of year	<u>115,515</u>	<u>166,126</u>
Cash, end of year	<u>\$ 276,295</u>	<u>\$ 115,515</u>

See Accompanying Notes to Financial Statements.

COMPAS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

1. ORGANIZATION

COMPAS, Inc.'s (COMPAS) mission is to use the arts to unleash the creativity within all of us so we can create better lives and better communities.

COMPAS is a nationally-recognized leader in arts education, offering programs in performing, literary, musical, and visual arts genres. Each year COMPAS partners with over 250 schools, social service agencies, older adult residences, and other community organizations to enrich people's lives through the arts.

COMPAS has been cited for excellence by the Presidential Committee on the Arts and Humanities, the MN Department of Education, the NEA, and others. COMPAS was founded in 1974.

The foundation of every program is a highly skilled teaching artist working in a community to help people unleash their own creativity. COMPAS Arts Education programs include:

Creative Classroom: Students develop whole, problem-solving, creative minds when artists come into their classroom or after school program. COMPAS works with schools' realities to teach the arts and creativity in ways that meet classroom objectives, engage every learner, and prepare students for the future.

Creative Community: COMPAS integrates creativity into the programming of just about any community. Specialized skills and training let their teaching artists develop actively creative experiences unique to each site's needs and interests. Example activities:

- AnyPlace Arts: Wherever people gather (e.g. libraries, community centers, shelters), COMPAS stretches participants' creative muscle with engaging, age-and-skill-level appropriate participatory programming.
- Artful Aging™: Adults ages 55+ experience joy and satisfaction from hands-on, artistic activities. People discover new talents, rekindle old interests, develop new friendships & create stunning art.
- Arts in Healthcare: COMPAS strengthens community and wellness in Twin Cities' hospitals and agencies that serve people with mental and physical health concerns.
- Youth Arts: Youth create a brighter future through creative employment that also builds up the community with music and stunning public art.

(Continued)

COMPAS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

1. ORGANIZATION (Continued)

- Women's Writing Program: Women in county jails build creative writing and poetry skills; develop a powerful tool for reflecting on their lives for understanding and healing; and have their works published in an Anthology that is available for all to read through area libraries.
- Professional Development: COMPAS expands the reach of creativity through artist-led seminars and workshops for educators and people who work with older adults.

Support and revenue for COMPAS consists primarily of contributions and grants from individuals, foundations, corporations, and governmental agencies, and fees for program services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation - COMPAS reports information regarding its financial position and activities in the following two categories of net assets based on the presence or absence of donor imposed restrictions: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions represent the portion of net assets that are not subject to donor restrictions.
- Net assets with donor restrictions arise from contributions that are restricted by donors for specific purposes or time periods.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Receivables - Accounts, contributions and grants receivable are stated at net realizable value. The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Receivables are written off when management determines the receivable will not be collected. As of June 30, 2020 and 2019, management has established an allowance of \$5,100 against accounts receivable. As of June 30, 2020, management has established an allowance of \$7,000 against contributions and grants receivable. Management has determined that no allowance was necessary for June 30, 2019, contributions and grants receivable.

(Continued)

COMPAS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Furniture and Equipment - COMPAS capitalizes furniture and equipment at cost or at the estimated fair value if donated. Items costing less than \$2,500 are expensed. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. The cost of maintenance and repairs is expensed as incurred and significant renewals and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives. Absent explicit donor restrictions regarding how long donated assets must be maintained, COMPAS reports expiration of donor restrictions when the donated or acquired assets are placed in service. All furniture and equipment is fully depreciated as of June 30, 2020.

Contributions - Contributions are recognized when the donor makes an unconditional commitment to give to COMPAS. Conditional contributions are recorded when the conditions have been met and the conditional promise becomes unconditional. Contributions are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. Restricted contributions are reported without donor restrictions if the related restrictions are met in the same year the contribution is received.

Contributed Materials – In-kind contributions of materials are reflected as support in the financial statements at their estimated fair value on the date of donation.

Contributed Services - Contributed services are recognized as contributions if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by COMPAS. Volunteers provided services throughout the year that are not recognized as contributions in the financial statements since the specified criteria are not met.

Government Grants and Contracts - Government grants are accounted for as contributions and are considered conditional based upon the incurrence of eligible expenditures. Revenue is recognized when eligible expenditures, as defined in the grant agreement, are incurred. Funds received but not yet earned are shown as refundable advances.

(Continued)

COMPAS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

COMPAS has conditional promises to give of \$10,818 as of June 30, 2020, which consists of government grants with remaining commitments that are conditional upon incurring eligible expenditures. Conditional promises to give are recognized in the financial statements when the conditions have been met. The conditions are expected to be met in 2021.

All 2020 and 2019 government grant revenue is from the Minnesota State Arts Board.

Program Service Fees - Revenue from program services rendered is generated primarily through providing art instruction services to schools and other not-for-profit organizations, as well as management services to other not-for-profit organizations. Revenue generated from these activities is recognized over time as the services are provided. Unsecured credit is extended to these organizations in the normal course of business.

Functional Expenses - Expenses are recorded to program and support services directly when possible. Indirect expenses that benefit multiple functional areas have been allocated based on employee time.

Income Taxes - COMPAS is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes, except to the extent it has taxable income that is not related to its tax exempt purpose. COMPAS did not have any unrelated business income in 2020 and 2019. Management believes COMPAS has appropriate support for any tax positions taken, and accordingly, does not have any uncertain tax positions that are material to the financial statements.

Comparative Total Column - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2019.

(Continued)

COMPAS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of New Accounting Standards – On July 1, 2019, COMPAS adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit-Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* using the modified retrospective approach. The ASU provides guidance on distinguishing between contributions and exchange transactions and clarifies whether contributions are conditional. Accordingly, there was no impact on previously reported net assets. The presentation and disclosures of contributions have been enhanced in accordance with the standard. As a result of its implementation, \$150,769 of government grants that would have previously been recognized as revenue are recorded as refundable advances.

In 2020, COMPAS adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the full retrospective approach. The ASU clarifies the accounting for revenue arising from contracts with customers and specifies disclosures that an entity should include in the financial statements. The adoption of this ASU had no effect on the financial statements.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of June 30, comprise the following:

	2020	2019
Cash	\$ 276,295	\$ 115,515
Accounts receivable	18,360	16,003
Contributions and grants receivable	44,175	77,506
	<u>\$ 338,830</u>	<u>\$ 209,024</u>

COMPAS receives significant contributions restricted by grantors and considers amounts restricted for programs ongoing, major, and central to its annual operations to be available to meet current needs for general expenditures over the next year. COMPAS operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. In addition, COMPAS has a \$35,000 line of credit that is available for unanticipated liquidity needs.

4. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable are due in 2021.

(Continued)

COMPAS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

5. LINE OF CREDIT

COMPAS has a \$35,000 line of credit from Bremer Bank. The revolving line of credit matures on January 14, 2021, and the interest rate is prime plus 0.75% but not less than 4.5%. Secured by assets of COMPAS. No balance was outstanding on the line of credit as of June 30, 2020 and 2019.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30 are for the following:

	<u>2020</u>	<u>2019</u>
Purpose:		
Creative Classroom	\$ 59,035	\$ 37,405
Creative Community	21,000	66,958
Artful Aging	13,280	19,300
Arts in Healthcare	-	3,075
Time:		
General operations	<u>48,500</u>	<u>59,336</u>
	<u>\$ 141,815</u>	<u>\$ 186,074</u>

Restrictions are classified according to their main restriction. Some of the restrictions have components of both time and purpose restrictions.

7. IN-KIND CONTRIBUTIONS

In-kind contributions of services, primarily used for management and administrative purposes, consist of legal services valued at \$48,066 and \$10,298 for the years ended June 30, 2020 and 2019.

(Continued)

COMPAS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

8. LEASES

COMPAS leases office equipment and space under operating leases. Office equipment leases include a copier lease which requires minimum monthly payments of \$180 and expires in December 2020.

COMPAS entered into a three-year lease agreement beginning February 1, 2019, requiring monthly rent payments of \$1,205 increasing 3% annually plus additional rent payments for utilities, taxes, etc.

Office space rent was \$36,615 and \$23,021 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments for the years ending June 30 are as follows:

2021	\$	16,079
2022		<u>11,501</u>
	\$	<u>27,580</u>

9. CONCENTRATIONS

During 2020 and 2019 COMPAS received 12% and 15% of support and revenue from the Minnesota State Arts Board.

COMPAS places its cash with high quality financial institutions. At times, such deposits may exceed the insured limit of the institutions which exposes COMPAS to a credit risk. COMPAS has not experienced any losses as a result of these deposits. At June 30, 2020, deposits exceeded the insured limit by \$26,144. Deposits did not exceed the insured limit in 2019.

10. CONTINGENCIES

Amounts received from various donors and governmental agencies are subject to audit and potential adjustment by these agencies. Any disallowed claims, including amounts already collected, will become a liability of COMPAS at the time any assessment for refund is made. It is management's belief that no material amounts received will be required to be returned in the future.

(Continued)

COMPAS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

11. **CORONAVIRUS (COVID-19) PANDEMIC**

A nationwide public health emergency emerged in 2020. Many states have enacted measures to combat the global pandemic resulting from a novel strain of coronavirus known as COVID-19. Measures have included regulatory restrictions on citizen and business activities as well as recommendations for further voluntary curtailment of activities. Due to these regulations, COMPAS has not been able to provide on-site programming. COMPAS has been able to move some programming to an online format, which has allowed the majority of programming to continue uninterrupted. COMPAS obtained a forgivable loan totaling \$99,100 through the Paycheck Protection Program created by the CARES Act. The conditions for forgiveness included incurring eligible expenses and payroll costs within a 24-week covered period while maintaining a certain number of full-time employees. These funds are included in contributions without donor restrictions on the statement of activities since all of the conditions are considered to be substantially met.

12. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 2, 2020, the date on which the financial statements were available for issue.