

COMPAS, INC.

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2022**

COMPAS, INC.

FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative totals for 2021)

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of COMPAS, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of COMPAS, INC. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about COMPAS, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 COMPAS, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about COMPAS, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Adoption of New Accounting Standards

As discussed in Note 2 to the financial statements, COMPAS, Inc. has adopted Accounting Standards Updates (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets* and has early adopted Accounting Standards Update (ASU) No. 2016-12, *Leases*. Our opinion is not modified with respect to these matters.

(Continued)

Report on Summarized Comparative Information

We have previously audited COMPAS, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mahoney Ulbrich
Christiansen & Russ, PA

November 30, 2022

COMPAS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2022
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 381,949	\$ 516,760
Investments	45,366	-
Accounts receivable, net	119,573	44,285
Contributions and grants receivable	160,878	44,131
Prepaid expenses	5,799	13,825
Total current assets	<u>713,565</u>	<u>619,001</u>
Right of use asset, net	<u>187,776</u>	<u>-</u>
Total assets	<u>\$ 901,341</u>	<u>\$ 619,001</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 67,628	\$ 28,381
Current portion of lease liability	33,514	-
Accrued payroll and related	15,572	21,477
Deferred revenue	25,162	25,552
Refundable advances	-	80,039
Total current liabilities	<u>141,876</u>	<u>155,449</u>
Lease liability, less current portion	<u>164,080</u>	<u>-</u>
Net assets		
Without donor restrictions	297,255	238,952
With donor restrictions	<u>298,130</u>	<u>224,600</u>
Total net assets	<u>595,385</u>	<u>463,552</u>
Total liabilities and net assets	<u>\$ 901,341</u>	<u>\$ 619,001</u>

See Accompanying Notes to Financial Statements.

COMPAS, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022			2021
	Without donor restrictions	With donor restrictions	Total	
Support and revenue:				
Support				
Foundation and corporate contributions	\$ 194,226	\$ 338,060	\$ 532,286	\$ 462,988
Government grants	149,620	25,000	174,620	263,220
Individual contributions	75,022	18,000	93,022	82,510
In-kind contributions	6,860	-	6,860	12,414
Special events - contributions	23,329	-	23,329	15,945
Net assets released from time and purpose restrictions	307,530	(307,530)	-	-
Total support	756,587	73,530	830,117	837,077
Revenue				
Program service fees	798,223	-	798,223	454,437
Interest and dividend income	379	-	379	33
Return on investment	(4,968)	-	(4,968)	-
Miscellaneous revenue	382	-	382	2,336
Total revenue	794,016	-	794,016	456,806
Total support and revenue	1,550,603	73,530	1,624,133	1,293,883
Expenses:				
Program services				
Creative Classroom	515,740	-	515,740	322,857
Creative Community	705,499	-	705,499	434,979
Total program services	1,221,239	-	1,221,239	757,836
Management and general	182,783	-	182,783	148,086
Fundraising	88,278	-	88,278	68,392
Total expenses	1,492,300	-	1,492,300	974,314
Change in net assets	58,303	73,530	131,833	319,569
Net assets:				
Beginning of year	238,952	224,600	463,552	143,983
End of year	\$ 297,255	\$ 298,130	\$ 595,385	\$ 463,552

See Accompanying Notes to Financial Statements.

COMPAS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022						2021
	Creative Classroom	Creative Community	Total program services	Management and general	Fundraising	Total	
Salaries and seasonal wages	\$ 131,538	\$ 184,858	\$ 316,396	\$ 30,751	\$ 60,218	\$ 407,365	\$ 338,329
Payroll taxes	11,559	16,494	28,053	2,364	5,083	35,500	28,284
Employee benefits	13,597	20,260	33,857	5,459	5,809	45,125	52,314
Total salaries and related expenses	156,694	221,612	378,306	38,574	71,110	487,990	418,927
Contract artists	287,509	355,111	642,620	344	2,000	644,964	321,529
Supplies	17,755	55,451	73,206	2,110	47	75,363	50,446
Artist travel and training	23,260	37,513	60,773	-	-	60,773	8,461
Audit and accounting	-	-	-	72,085	-	72,085	61,862
IT services, technology and website	5,218	1,530	6,748	9,101	4,845	20,694	15,740
Other professional services	2,577	1,893	4,470	14,562	450	19,482	19,596
Occupancy	15,010	20,547	35,557	6,779	4,006	46,342	37,947
Telephone	1,918	563	2,481	3,345	1,781	7,607	7,139
Equipment rental and leases	809	-	809	1,809	27	2,645	10,354
Printing and copying	2,551	4,028	6,579	2,389	2,432	11,400	4,302
Postage and shipping	32	360	392	2,516	366	3,274	1,254
Memberships and dues	128	1,431	1,559	990	135	2,684	3,088
Travel, meetings, food and beverage	1,050	1,527	2,577	866	215	3,658	1,099
Insurance	-	-	-	14,125	-	14,125	7,096
Marketing and advertising	30	-	30	-	116	146	-
Bad debt expense	-	-	-	1,419	-	1,419	-
Bank fees	4	-	4	2,320	302	2,626	2,174
Professional development	1,195	3,933	5,128	2,412	446	7,986	-
Moving expenses	-	-	-	7,037	-	7,037	-
Miscellaneous expenses	-	-	-	-	-	-	3,300
Total expenses	<u>\$ 515,740</u>	<u>\$ 705,499</u>	<u>\$ 1,221,239</u>	<u>\$ 182,783</u>	<u>\$ 88,278</u>	<u>\$ 1,492,300</u>	<u>\$ 974,314</u>
	<u>34.6%</u>	<u>47.3%</u>	<u>81.9%</u>	<u>12.2%</u>	<u>5.9%</u>	<u>100.0%</u>	

See Accompanying Notes to Financial Statements.

COMPAS, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 131,833	\$ 319,569
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Amortization of right of use asset	9,818	-
Bad debt expense	1,419	-
Unrealized loss on investments	4,634	-
Changes in operating assets and liabilities:		
Accounts receivable	(76,707)	(25,925)
Contributions and grants receivable	(116,747)	44
Prepaid expenses	8,026	6,659
Accounts payable	39,247	14,909
Accrued payroll and related	(5,905)	8,876
Deferred revenue	(390)	(12,937)
Refundable advances	(80,039)	(70,730)
Net cash flows from operating activities	<u>(84,811)</u>	<u>240,465</u>
Cash flows from investing activities:		
Purchase of investments	<u>(50,000)</u>	<u>-</u>
Net cash from investing activities	<u>(50,000)</u>	<u>-</u>
Net increase (decrease) in cash	(134,811)	240,465
Cash, beginning of year	<u>516,760</u>	<u>276,295</u>
Cash, end of year	<u>\$ 381,949</u>	<u>\$ 516,760</u>

See Accompanying Notes to Financial Statements.

COMPAS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

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.

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COMPAS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

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

Adoption of new Accounting Standards – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-12, *Leases*, which requires lessees to recognize almost all leases on their balance sheet as a “right-of-use” asset and lease liability but recognize related expenses in a manner similar to current accounting. The guidance also eliminates current real estate-specific provisions for all entities. In July 2018, the FASB issued ASU 2018-10 and ASU 2018-11, which clarify certain guidance included in ASU 2016-02 and introduced a new optional transition method.

COMPAS early adopted the standard as of July 1, 2021, using the transition method introduced by ASU 2018-11, which does not require revisions to comparative periods. COMPAS elected to implement the transition package of practical expedients permitted within the new standard, which among other things, allows the carryforward of the historical lease classification. In addition, COMPAS elected the hindsight practical expedient to determine the lease term. An accounting policy election was made to not recognize leases with an initial term of less than twelve months on the balance sheet and recognize the related lease payments as expense in the statement of activities on a straight-line basis over the lease term.

Upon adoption, a lease liability, with an offsetting increase to right-of-use assets of approximately \$196,000, was recognized. Differences between the initial lease liability and right-of-use asset, recognized are not material. The standard did not materially affect previously reported net assets.

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COMPAS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In 2022, COMPAS adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958)*: Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets. Under the new standard, not-for-profits are required to show contributed nonfinancial assets as a separate line item in the statement of activities. Not-for-profits need to provide enhanced disclosures about in-kind contributions received including: disaggregating by category depicting the type of contributed nonfinancial asset, disclosing qualitative information about whether the contributed nonfinancial assets were either monetized or used during the reporting period, and describing any donor-imposed restrictions associated with the contributed assets. In addition, the valuation techniques and inputs used to arrive at a fair value measure must be disclosed.

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.

Fair Value Measurements - COMPAS determines fair value, when necessary, based on the assumptions that market participants would use when pricing the asset or liability. Valuation techniques require using inputs which are categorized using the following hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs that are observable, directly or indirectly, other than the quoted prices included in Level 1; and
- Level 3 - unobservable inputs.

Cash Equivalents - COMPAS considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash held in brokerage accounts is not considered a cash equivalent.

(Continued)

COMPAS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - Investments in marketable securities are reported at fair value. Realized and unrealized gains and losses are reported as changes in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect investment balances and the amounts reported on the statement of financial position.

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, 2022 and 2021, management has established an allowance of \$5,100 against accounts receivable. Management has determined that no allowance was necessary for June 30, 2022 and 2021, contributions and grants receivable.

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, 2022.

(Continued)

COMPAS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

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

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 and Services – Contributed materials are recorded as contributions at their estimated fair market value based on current rates for similar material in the period received. Contributed services are recorded as contributions at their estimated fair value based on current rates for similar services only if the services create or enhance a nonfinancial asset or if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Fair value is estimated by management by reference to the appropriate market and type of goods and services donated. COMPAS utilizes donated goods and services in its programs and operations or according to any donor restrictions.

Volunteers provided services throughout the year that are not recognized as contributions in the financial statements since the specified criteria are not met (See note 8).

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.

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.

(Continued)

COMPAS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Leases - Operating leases are recorded in accordance with FASB ASC Topic 842, *Leases*. COMPAS recognizes a right-of-use asset and a lease liability related to any operating lease. The right-of use asset represents COMPAS's right to use the leased asset over the term of the lease, initially measured as the sum of 1) the lease liability, 2) lease payments made at or prior to commencement of the lease, less incentives received, and 3) initial direct costs of the lease. The lease liability relates to COMPAS's obligation to make lease payments as defined in the lease, measured at its present value. Lease expense is recognized on the straight-line basis over the term of the lease. COMPAS has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

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 2022 and 2021. 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 or functional expense. 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, 2021.

3. LIQUIDITY AND AVAILABILITY

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

	<u>2022</u>	<u>2021</u>
Cash	\$ 381,949	\$ 516,760
Investments	45,366	-
Accounts receivable	119,573	44,285
Contributions and grants receivable	160,878	44,131
	<u>\$ 707,766</u>	<u>\$ 605,176</u>

(Continued)

COMPAS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

3. LIQUIDITY AND AVAILABILITY (Continued)

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 \$40,000 line of credit that is available for unanticipated liquidity needs.

4. INVESTMENTS

Investments at June 30, 2022 are held in a brokerage account and consist of the following funds. The following tables set forth by level within the fair value hierarchy COMPAS's investments at fair value as of June 30, 2022:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 1,216	\$ -	\$ -
Mutual funds	29,217	-	-
Common stocks and ETFs	14,933	-	-
Investments at fair value	<u>\$ 45,366</u>	<u>\$ -</u>	<u>\$ -</u>

Investments are held with a professionally managed investment brokerage firm and are recorded at fair value based on quoted prices in active markets.

5. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable are due for the years ended June 30:

2023	\$119,878
2024	<u>41,000</u>
Total	<u>\$160,878</u>

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COMPAS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

6. LINE OF CREDIT

COMPAS has a \$40,000 line of credit from Bremer Bank. The revolving line of credit matures on January 14, 2023, and the interest rate is prime plus 0.75% (5% at June 30, 2022) but not less than 3.25%. Secured by assets of COMPAS. No balance was outstanding on the line of credit as of June 30, 2022 and 2021.

7. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table provides information about changes in accounts receivable for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Accounts receivable as of June 30, 2021	\$ 44,285	18,360
Collections of amounts included in receivables at the beginning of the year	(42,866)	(18,360)
Receivables written off	(1,419)	-
Accounts receivable outstanding	<u>119,573</u>	<u>44,285</u>
Accounts receivable as of June 30, 2022	<u>\$ 119,573</u>	<u>44,285</u>

Deferred revenue represents payments received but not yet earned. The following depicts activities for deferred revenue related to program service fees for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Balance as of June 30, 2021	\$ 25,552	38,489
Revenue recognized included in June 30, 2021	(18,417)	(25,486)
Cash received in advance	<u>18,027</u>	<u>12,549</u>
Balance as of June 30, 2022	<u>\$ 25,162</u>	<u>25,552</u>

(Continued)

COMPAS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

8. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Purpose:		
Creative Classroom	\$ 232,570	\$ 93,400
Creative Community	65,560	66,700
Time:		
General operations	<u>-</u>	<u>64,500</u>
	<u>\$ 298,130</u>	<u>\$ 224,600</u>

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

9. IN-KIND CONTRIBUTIONS

In-kind contributions of services, primarily used for management and administrative purposes, consist of legal services valued at \$6,860 and \$12,414 for the years ended June 30, 2022 and 2021. The donor provided the pro bono hours donated which was multiplied by their standard billing rates.

10. LEASES

COMPAS entered into a three-year lease agreement for office space beginning February 1, 2019, requiring monthly rent payments of \$1,205 increasing 3% annually plus additional rent payments for utilities, taxes, etc. This lease expired in March 2022 and FASB ASC 842 was not implemented for this lease. Rent expense and cash payments under FASB ASC 840 (pre-adoption of the new standards) for operating leases totaled \$33,447 for the year ended June 30, 2022.

COMPAS's new operating lease is a real estate lease for office space, the operating lease began April 2022. Lease payments start on September 1, 2022. The original lease term expires August 31, 2027. The lease term excludes a five-year extension, available at COMAPS's option, which it is not reasonably certain to exercise. Therefore, the payments associated with the extension are not included in the ROU asset nor the lease liability recognized as of June 30, 2022.

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COMPAS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

10. LEASES (Continued)

COMPAS evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) asset represents COMPAS's right to use the underlying asset for the lease term, and the lease liability represent COMPAS's obligation to make lease payments arising from the lease. The ROU asset and lease liability, arising from an operating lease, were calculated based on the present value of future lease payments over the lease term. The weighted-average discount rate applied to calculate lease liability as of June 30, 2022, was 2.79%.

For the year ended June 30, 2022, total operating lease cost was \$9,819 under the new lease. As of June 30, 2022, the weighted-average remaining lease term for the COMPAS's operating lease was approximately 5 years. There was no cash paid for the new operating leases for the year ended June 30, 2022. There were no noncash investing and financing transactions related to leasing.

Future maturities of lease liabilities are presented in the following table, for the fiscal years ending June 30:

2023	\$	33,514
2024		41,282
2025		42,366
2026		43,450
2027		44,534
Thereafter		7,588
		212,734
Present value discount at 2.79%		(15,140)
Lease liability	\$	197,594

Rent expense under FASB ASC 840 (pre-adoption of the new standards) for operating leases totaled \$36,451 for the year ended June 30, 2021 (\$33,447 for old lease in 2022). The minimum lease payments under those operating leases as of June 30, 2021, were as follows:

2022		\$12,726
2023		1,225
2024		612
Total		\$14,563

(Continued)

COMPAS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

11. **CONCENTRATIONS**

During 2022 and 2021 COMPAS received 11% and 16% 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, 2022 and 2021, deposits exceeded the insured limit by \$115,402 and \$248,474.

12. **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.

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

A nationwide public health emergency began to emerge 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 was able to move some programming to an online format, which has allowed the majority of programming to continue uninterrupted. During 2022 COMPAS was able to provide on-site programming again.

14. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 30, 2022, the date on which the financial statements were available for issue.