



Financial Statements
June 30, 2010

COMPAS, Inc.

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
COMPAS, Inc.
St. Paul, Minnesota

We have audited the accompanying statement of financial position of COMPAS, Inc. (the Organization) as of June 30, 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the changes in its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 to the financial statements, on July 1, 2009 COMPAS, Inc. and Young Audiences of Minnesota (YAMN) completed a merger of their operations. The merger was accounted for similar to a pooling of interests. In accordance with accounting standards generally accepted in the United States of America, the Organization's financial statements have been restated to include the results of YAMN for all periods presented.

As discussed in Note 13 to the financial statements, the Organization has restated its 2009 financial statements in order to properly record grants payable at the beginning and end of the fiscal year June 30, 2009. We audited the adjustments described in Note 13 that were applied to restate the June 30, 2009 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

The prior year summarized comparative information has been derived from COMPAS, Inc.'s June 30, 2009 financial statements on which, in our report dated November 24, 2009, we expressed an unqualified opinion, as adjusted for the correction described above, and for the inclusion of the unaudited financial statements of YAMN and the effects of the merger, as described above.

Eide Bailly LLP

Minneapolis, Minnesota
February 25, 2011

COMPAS, Inc.
Statement of Financial Position
June 30, 2010 (With Comparative Totals for 2009)

	2010	(Unaudited) 2009 (restated)
Assets		
Current Assets		
Cash and cash equivalents	\$ 168,549	\$ 292,532
Investments	196,810	239,616
Grants receivable	4,833	232,667
Accounts receivable (net of allowance for doubtful accounts of \$32,290 in 2010 and \$6,363 in 2009)	30,369	23,070
Pledges receivable (net of allowance for doubtful accounts of \$0 in 2010 and \$4,900 in 2009)	125,222	123,499
Prepaid expenses	13,368	8,413
Total current assets	539,151	919,797
Property and Equipment		
Equipment	75,025	229,546
Accumulated depreciation	(64,244)	(212,193)
	10,781	17,353
Other Assets		
Investments restricted for endowment purposes	187,784	187,784
	187,784	187,784
	\$ 737,716	\$ 1,124,934
Liabilities and Net Assets		
Current Liabilities		
Grants payable	\$ 380,974	\$ 427,421
Accounts payable	27,642	31,104
Accrued expenses	14,616	26,907
Total current liabilities	423,232	485,432
Net Assets		
Unrestricted	(123,455)	(116,400)
Temporarily restricted	250,155	568,118
Permanently restricted	187,784	187,784
	314,484	639,502
	\$ 737,716	\$ 1,124,934

See Notes to Financial Statements

COMPAS, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2010 (With Comparative Totals for 2009)

	2010			Totals	(Unaudited)
	Unrestricted	Temporarily Restricted	Permanently Restricted		2009 Totals
Support and Revenue					(restated)
Support					
Foundation and corporation grants	\$ 178,600	\$ 380,844	\$ -	\$ 559,444	\$ 1,218,589
Government grants	95,781	-	-	95,781	60,820
Public contributions	314,611	-	-	314,611	310,295
In-kind contributions	13,703	-	-	13,703	13,789
Total support	<u>602,695</u>	<u>380,844</u>	<u>-</u>	<u>983,539</u>	<u>1,603,493</u>
Revenue					
Program service fees	403,462	-	-	403,462	459,310
Special event, net of direct benefits of \$12,609	14,309	-	-	14,309	13,719
Investment income	8,362	-	-	8,362	9,137
Net gain on investments	25,126	-	-	25,126	(82,995)
Total revenue	<u>451,259</u>	<u>-</u>	<u>-</u>	<u>451,259</u>	<u>399,171</u>
Net assets released from restrictions	<u>698,807</u>	<u>(698,807)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,752,761</u>	<u>(317,963)</u>	<u>-</u>	<u>1,434,798</u>	<u>2,002,664</u>
Expenses					
Program services	1,326,652	-	-	1,326,652	1,872,848
Management and general	281,442	-	-	281,442	333,720
Fundraising	151,722	-	-	151,722	174,353
Total expenses	<u>1,759,816</u>	<u>-</u>	<u>-</u>	<u>1,759,816</u>	<u>2,380,921</u>
Change in Net Assets	<u>(7,055)</u>	<u>(317,963)</u>	<u>-</u>	<u>(325,018)</u>	<u>(378,257)</u>
Net Assets, Beginning of Year					
As previously reported	95,204	568,118	187,784	851,106	1,220,759
Adjustment for understatement of grants paid	<u>(211,604)</u>	<u>-</u>	<u>-</u>	<u>(211,604)</u>	<u>(203,000)</u>
Net Assets, Beginning of Year (restated)	<u>(116,400)</u>	<u>568,118</u>	<u>187,784</u>	<u>639,502</u>	<u>1,017,759</u>
Net Assets, End of Year	<u>\$ (123,455)</u>	<u>\$ 250,155</u>	<u>\$ 187,784</u>	<u>\$ 314,484</u>	<u>\$ 639,502</u>

COMPAS, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2010 (With Comparative Totals for 2009)

	2010			Totals	(Unaudited)
	Program Services	Management and General	Fund- raising		2009 Totals
					(restated)
Salaries and Related Expenses					
Salaries	\$ 239,240	\$ 93,314	\$ 90,636	\$ 423,190	\$ 563,719
Related payroll taxes and benefits	56,078	\$ 28,075	26,849	111,002	107,517
Total salaries and related expenses	295,318	121,389	117,485	534,192	671,236
Other Expenses					
Advertising	5,141	260	369	5,770	2,491
Bad Debt	-	17,041	-	17,041	18,986
Contract Services	363,939	218	3,699	367,856	642,357
Conferences & Meetings	4,111	7,092	1,065	12,268	31,483
Consulting & Professional Services	74,377	83,584	5,001	162,962	78,601
Depreciation	3,633	1,493	1,445	6,572	8,309
Dues and Subscriptions	170	3,909	1,325	5,404	7,186
Equipment Lease/Rental	1,319	542	525	2,387	4,011
Film and Processing	-	-	-	-	281
Grants (United Arts)	209,769	-	-	209,769	251,131
Grants (Other Programs)	278,335	-	-	278,335	495,768
Insurance	2,640	1,085	1,050	4,775	4,646
Internet/Technology	1,597	13,944	3,539	19,080	5,368
Office Equipment	83	-	-	83	86
Other	477	13,080	706	14,263	9,082
Postage	2,536	3,573	1,843	7,952	10,215
Printing/Copying	16,992	1,909	4,457	23,358	22,701
Publications	-	-	-	-	3,865
Rent	16,376	6,731	6,515	29,622	34,277
Repair & Maintenance	918	377	365	1,661	12,956
Supplies	7,737	2,576	1,515	11,827	24,388
Telephone	2,925	1,847	701	5,473	8,363
Travel	38,259	792	116	39,167	33,134
Total expenses	<u>\$ 1,326,652</u>	<u>\$ 281,442</u>	<u>\$ 151,722</u>	<u>\$ 1,759,816</u>	<u>\$ 2,380,921</u>
	<u>75%</u>	<u>16%</u>	<u>9%</u>	<u>100%</u>	

COMPAS, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2010 (With Comparative Totals for 2009)

	2010	(Unaudited) 2009 (restated)
Operating Activities		
Change in net assets	\$ (325,018)	\$ (378,257)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	6,572	8,309
Net realized loss on investment	6,701	59,175
Net unrealized (gain) loss on investment	(31,986)	23,820
Changes in operating assets and liabilities		
Grants receivable	227,834	31,416
Accounts receivable	(7,299)	34,492
Pledges receivable	(1,723)	8,481
Prepaid expenses	(4,955)	3,340
Grants payable	(46,447)	35,344
Accounts payable	(3,462)	(20,798)
Accrued expenses	(12,291)	(4,260)
Net Cash used for Operating Activities	(192,074)	(198,938)
Investing Activities		
Proceeds from sale of equipment	-	886
Proceeds from sale of investments	71,295	410,550
Purchase of investments	(3,204)	(180,101)
Net Cash from Investing Activities	68,091	231,335
Change in Cash and Cash Equivalents	(123,983)	32,397
Cash and Cash Equivalents, Beginning of Year	292,532	260,135
Cash and Cash Equivalents, End of Year	\$ 168,549	\$ 292,532

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

COMPAS, Inc. (COMPAS or the Organization) strengthens people and communities in Minnesota by engaging them in creating art.

On July 1, 2009, COMPAS merged with Young Audiences of Minnesota to create a comprehensive provider of arts engagement opportunities utilizing professional teaching artists. COMPAS is now a virtually one-stop-shop for residencies, workshops, performances and exhibits for teachers, schools, civic and community organizations across Minnesota. (See Note 12).

COMPAS achieves its mission through the following programs and services:

- Arts Education: provides approximately 83,000 children and adults with participatory artist-led residencies, workshops, performances, and exhibits in schools and community sites around the state and in all eight congressional districts. During the year ending June 30, 2010, COMPAS provided 153 weeks of residencies in 84 schools, 475 workshops, 165 performances, and 3 exhibit programs.
- Arts in Health Care: reaches patients and healthcare providers in hospitals, clinics, and other health-related facilities through arts projects that increase wellness, speed recovery, and build community. During the fiscal year ending June 30, 2010, over 650 people were reached at eight sites.
- ArtsWork: a summer employment program in the arts, gives youth artistic training with professional literary, visual, and performing artists, and skills vital to the workplace. 35 youth participated in ArtsWork during the fiscal year ending June 30, 2010.
- The Community Art Program: provides grants to artists, arts organizations, and community organizations to encourage the use of meaningful, quality arts to build community. The program's objectives are to fund projects and programs in Minneapolis and St. Paul that demonstrate community-driven planning and implementation, and to make funds accessible to communities facing inequality of economic resources, and under-representation in the arts to address a broad range of community issues through the arts.
- The School Arts Fund and General Fund Grants: is funded through United Arts workplace giving, the program provides grants to artists, arts organizations and schools that to co-create curriculum and artist residencies that strengthen student learning and increase participation in the arts.
- COMPAS General Fund: is funded through United Arts workplace giving, the program provides grants to support nonprofit organizations for art programs and projects that reach new audiences, use the arts to serve the community, and increase the potential for individuals to participate in art-making.
- The Greater Minnesota School Arts Fund: provides support to 501(c)(3) nonprofit organizations that provides schools, kindergarten - 12th grades, with quality arts programming. The Greater Minnesota School Arts Fund supports partnerships between the arts community of Minnesota and schools located outside the 12-county metro area.

- Medtronic Arts Access Program (MAAP): is a seven-year partnership with the Medtronic Foundation, the program has funded 73 different MAAP recipients who have provided a broad range of arts and cultural programming that promotes cross-cultural understanding and increase the participation of community members whose access to the arts is limited.
- Central Services: provides pooling of resources to nonprofit arts organizations to reduce costs.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

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.

The permanently restricted net assets presented in the financial statements reflect a cash reserve endowment fund. The cash reserve funds are available for use as short-term working capital withdrawals which must be repaid to the endowment fund within two years from the date of the withdrawal. The earnings on the endowment investments may be used for operations and programs and are reported as unrestricted net assets.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, with the exception of money market funds and certificates of deposit considered short-term investments.

The Organization's cash balances in financial institutions periodically exceed Federal Deposit Insurance Corporation coverage.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for estimated uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Organization uses the allowance method to determine uncollectible accounts receivable and unconditional grants receivable. The allowance is based on prior year experience and management's analysis. The allowance for doubtful accounts was \$32,290 for the year ending June 30, 2010.

The Organization does not charge interest on past due accounts. Accounts are considered past due when payment has not been received within 30 days of due date.

Property and Equipment

Expenditures for the acquisition of property and equipment greater than \$500 are capitalized at cost, and donated property and equipment is capitalized at fair value. Equipment is depreciated over its estimated useful life of three to ten years using the straight-line method of depreciation.

Investments

Short-term investments, consisting of money market funds, certificates of deposit, stock/equity funds and fixed income funds, are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and realized and unrealized gains and losses are reported as increases/decreases in unrestricted and temporarily restricted net assets in the reporting period in which the income and gains and losses are recognized.

The investments are not insured and involve risks, including the possible loss of the principal invested.

The Organization has a Donor Restricted Endowment Fund which is permanently restricted. Investment earnings are available to support the Organization's charitable efforts and are reported as unrestricted in the statement of activities.

Support and Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. 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. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Intentions to give and conditional contributions are recognized when the conditions on which they depend are substantially met.

Revenue from 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 as services are provided. Unsecured credit is extended to these organizations in the normal course of business.

Donated Services

Non-cash donations are reflected as support in the financial statements at their estimated fair value on the date of donation.

Donated 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 the Organization. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the criteria above are not met.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from income taxes as a nonprofit corporation under Internal Revenue Service Code Section 501(c)(3) and is an organization that is not a private foundation under the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes.

The Organization has adopted the provisions of ASC Topic 740-10 (previously Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*) on July 1, 2009. The implementation of this standard had no impact on the financial statements. As of both the date of adoption, and as of June 30, 2010, the unrecognized tax benefit accrual was zero.

The Organization undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities, as defined by ASC Topic 740-10.

Fair Value Measurements

The Company has determined the fair value of certain assets and liabilities in accordance with the provisions of ASC Topic 820-10 (previously FAS 157, *Fair Value Measurements*), which provides a framework for measuring fair value under generally accepted accounting principles.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs and also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Comparative Financial Information

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 Organization's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Reclassification

Certain items in the 2009 financial statements have been reclassified to conform to the current year presentation.

Subsequent Events

The Organization has evaluated subsequent events through February 25, 2011, the date which the financial statements were available to be issued.

Note 2 - Contingencies

Substantially, all support is received in the form of grants and contributions from various governmental agencies, individuals, corporations and foundations; therefore, the continuation of the programs of the Organization is dependent upon future funding.

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, the Board deems the contingency remote, since by accepting the gifts and their terms; it has accommodated the objectives of the Organization to the provisions of the gift.

Note 3 - Investments

The Organization's investments at June 30, 2010, are stated at fair value. Fair value and unrealized appreciation (depreciation) are summarized as follows:

	Fair Value
Money market funds	\$ 43,570
Stocks/equity funds	136,174
Fixed income funds	143,120
Certificates of deposit	61,730
	\$ 384,594

The investment restrictions and designations are as follows:

Endowment - donor restricted (including temporarily restricted earnings)	\$ 187,784
Endowment - board restricted	<u>196,810</u>
	<u><u>\$ 384,594</u></u>

The following schedule summarizes the investment income reported in the statement of activities:

Interest and dividend income	8,362
Net realized and unrealized gain	<u>25,126</u>
	<u><u>\$ 33,488</u></u>

Note 4 - Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2010:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Money market funds	\$ -	\$ 43,570	\$ -	\$ 43,570
Stock and equity funds	136,174	-	-	136,174
Fixed income funds	-	143,120	-	143,120
Certificates of deposit	-	61,730	-	61,730
	<u>\$ 136,174</u>	<u>\$ 248,420</u>	<u>\$ -</u>	<u>\$ 384,594</u>

Note 5 - Retirement Plan

The Organization has a defined contribution pension plan, covering employees who are at least 21 years of age and who have completed one year of service. Under the plan, the Organization contributes from 3% to 6% of each participant's annual salary. Pension expense was \$15,621 in fiscal year 2010.

Note 6 - Conditional Contribution

The Organization is the beneficiary of a \$60,000 life insurance policy payable upon the death of the insured individual. The receivable is not included in the statement of financial position due to the nature of the promise to give.

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2010:

ArtsWork	\$	66,391
Arts Education		9,100
Arts in Healthcare		8,000
General operating		50,000
3M Innovation in the Arts		10,000
Medtronic Arts Access Program		20,320
The Community Art Program		86,344
		86,344
	\$	250,155

Net assets released from restrictions during the year were comprised of the following:

Merger	\$	14,000
Strategic planning		8,000
General operating		68,236
Diversity Education and the Arts		158,340
Points Forward Campaign		44,540
Arts Education		36,000
Arts in Healthcare		6,500
ArtsWork		109,008
United Arts		16,000
Medtronic Arts Access Program		150,680
The Community Art Program		49,500
Grants administration		38,003
		38,003
	\$	698,807

Note 8 - Endowment

Board-designated Endowment

The Board of Directors of COMPAS has designated \$196,810 of unrestricted net assets as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets and is not subject to UPMIFA as described in a following paragraph.

The Board of Directors has elected to spend the earnings as needed for operations and to grow the fund as earnings are not needed. The Organization attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix that is intended to result in a consistent inflation-protected rate of return. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Donor-designated Endowment (Minnesota UPMIFA)

The Organization's endowment consists of one fund, the purpose of which is to provide interest income in support of the Organization's programs in perpetuity. Its endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Minnesota adopted Universal Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with Minnesota UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the organization.
- (7) The investment policies of the organization.

2009 Endowment Net Asset Composition by Type of Fund as of June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-designated endowment funds	\$ -	\$ -	\$ 187,784	\$ 187,784
Board-designated endowment funds	196,810	-	-	196,810
	<u>\$ 196,810</u>	<u>\$ -</u>	<u>\$ 187,784</u>	<u>\$ 384,594</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 238,371	\$ -	\$ 187,784	\$ 426,155
Investment return:				
Investment income	8,362	-	-	8,362
Net realized and unrealized appreciation	25,126	-	-	25,126
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	(75,049)	-	-	(75,049)
Endowment net assets, end of year	<u>\$ 196,810</u>	<u>\$ -</u>	<u>\$ 187,784</u>	<u>\$ 384,594</u>

Permanently Restricted Net Assets:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>\$ 187,784</u>
Total endowment funds classified as permanently restricted net assets	<u>\$ 187,784</u>

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). The endowment assets are invested in a manner that is intended to produce positive interest results over a long term.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Investments are balanced between fixed income and equity holdings. The Finance Committee reviews investment performance quarterly.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution all investment earnings. These earnings are considered temporarily restricted.

Note 9 - Donated Services and Materials

The fair value of donated legal services included as support and professional services expense for the year ended June 30, 2010, totaled \$13,703.

Note 10 - Line of Credit

The Organization has available a \$75,000 line of credit with a bank, collateralized by a Security Agreement, dated March 31, 2009. Interest accrues monthly at 8.5%. The line of credit agreement expires March 31, 2011. As of June 30, 2010, there were no advances under the line of credit agreement.

Note 11 - Operating Lease

The Organization leases office equipment and its facilities under operating leases. The office equipment has minimum monthly rental commitments of \$142 for the copier lease, expiring in April 2011. The facility lease has a minimum monthly rental commitment of \$2,458, expiring in December 2010. Approximate minimum annual rental commitments at June 30, 2010, are as follows:

For the Year Ended June 30,

2011

\$ 16,167

Total rent expense for the year ended June 30, 2010 was approximately \$32,009.

Note 12 - Business Combination

On July 1, 2009, COMPAS and Young Audiences of Minnesota (YAMN) completed a merger of their operations. The merger was accounted for similar to a pooling of interests. In accordance with accounting standards generally accepted in the United States of America, the Organization's financial statements have been restated to include the results of YAMN for all periods presented. Young Audiences of Minnesota was a comprehensive provider of arts engagement opportunities utilizing professional teaching artists. As a result of the merger, the combined organization operates under the name COMPAS, Inc.

There were no material transaction between COMPAS and YAMN prior to the merger and there were no material adjustments to conform the accounting policies of the combining organizations.

Summarized are the results of operations of COMPAS and YAMN for the period from July 1, 2008 to June 30, 2009:

	<u>(Audited) COMPAS, Inc. (restated)</u>	<u>(Unaudited) Young Audiences of Minnesota</u>
Support and revenue	\$ 1,700,705	\$ 301,960
Expenses	2,075,392	305,530
Change in net assets	(374,687)	(3,570)

Following is a reconciliation of the amounts of revenue and changes in net assets previously reported by COMPAS for the year ended June 30, 2009 with restated amounts:

	<u>Support and Revenue</u>	<u>Change in Net Assets</u>
COMPAS, Inc. as previously reported (restated)	\$ 1,700,705	\$ (374,687)
Young Audiences of Minnesota	<u>301,960</u>	<u>(3,570)</u>
As restated	<u>\$ 2,002,665</u>	<u>\$ (378,257)</u>

Note 13 - Prior Period Restatement

The financial statements for the year ended June 30, 2009 were restated to include the activity of YAMN, which merged with COMPAS as of July 1, 2009. See Note 12. The financial statements for the year ended June 30, 2009 have also been restated to reflect a correction in reporting grants payable. COMPAS is rectifying a long-standing accounting procedure to one that better reflects the way in which United Arts Fund campaign funds are received and, in turn, granted. This accounting shift better aligns the funds received and subsequently granted, into the same fiscal year. In the year ended June 30, 2010, the Organization determined that grants payable were understated by \$211,604 at June 30, 2009. The effect of this prior period adjustment was to increase grants payable at June 30, 2009 by \$211,604, decrease unrestricted net assets at the beginning of the year ended June 30, 2009 by \$203,000, and increase grants expenditure for the year ended June 30, 2009 by \$8,604. Unrestricted net assets at June 30, 2009 were decreased by \$211,604.

The effect of these restatements on the Organization's Statement of Financial Position as of June 30, 2009 is as follows:

	COMPAS, Inc. as previously reported	Restated	Effect of Change
Total current assets	\$ 880,151	\$ 919,797	\$ 39,646
Total assets	1,083,505	1,124,934	41,429
Total current liabilities	253,590	485,432	231,842
Unrestricted net assets	85,013	(116,400)	(201,413)
Temporarily restricted net assets	557,118	568,118	11,000
Total net assets	829,915	639,502	(190,413)
Total liabilities and net assets	1,083,505	1,124,934	41,429

The effect of the restatements on the Organization's Statement of Activities for the year ended June 30, 2009 is as follows:

	COMPAS, Inc. as previously reported	Restated	Effect of Change
Total support	\$ 1,482,720	\$ 1,603,493	\$ 120,773
Total revenue	217,985	399,171	181,186
Total support and revenue	1,700,705	2,002,664	301,959
Total expenses	2,066,788	2,380,921	314,133
Change in net assets	(366,083)	(378,257)	(12,174)
Unrestricted net assets, end of year	85,013	(116,400)	(201,413)
Temporarily restricted net assets, end of year	557,118	568,118	11,000

The effect of the restatements on the Organization's Statement of Cash Flows for the year ended June 30, 2009 is as follows:

	COMPAS, Inc. as previously reported	Restated	Effect of Change
Change in Net Assets	\$ (366,083)	\$ (378,257)	\$ (12,174)
Net Cash Used For Operating Activities	(200,881)	(198,938)	1,943
Net Cash From Investing Activities	230,449	231,335	886
Change in Cash and Cash Equivalents	29,568	32,397	2,829
Cash and Cash Equivalents, Beginning of Year	238,824	260,135	21,311
Cash and Cash Equivalents, End of Year	268,392	292,532	24,140