

COMPASS, INC.
FINANCIAL STATEMENTS
JUNE 30, 2017 & 2016

COMPASS, INC.

CONTENTS

	PAGES
Independent Auditor's Report	1 – 2
Financial Statements	
Statements of Financial Position at June 30, 2017 and 2016	3
Statements of Activities for the Years Ended June 30, 2017 and 2016	4
Statements of Functional Expenses for the Years Ended June 30, 2017 and 2016	5 – 6
Statements of Cash Flows for the Years Ended June 30, 2017 and 2016	7
Notes to Financial Statements	8 – 14
Supplementary Schedules:	
Schedule 1 – Schedule of Expenditures of Federal Awards	15
Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	16
Independent Auditor's Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By Title 2 U.S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> .	17 – 18
Schedule of Findings and Questioned Costs	19

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Compass, Inc.
Lake Worth, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Compass, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Compass, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of Compass, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Compass, Inc.'s internal control over financial reporting and compliance.

LIGGETT & WEBB, P.A.
Certified Public Accountants

Boynton Beach, Florida
December 29, 2017

COMPASS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
Cash	\$ 87,978	\$ 205,959
Grants receivable	475,573	187,604
Promises to give	2,153	16,639
Prepaid expenses	387	7,082
Total current assets	566,091	417,284
Property and Equipment, net	554,684	571,636
Deposits and Other Assets	4,950	4,950
Total assets	\$ 1,125,725	\$ 993,870
Liabilities and Net Assets		
Accounts payable	\$ 57,466	\$ 14,051
Accrued expenses	23,068	18,432
Deferred Revenue	-	9,721
Bank overdraft	2,340	-
Loans, current	31,250	37,500
Total current liabilities	114,124	79,704
Loans, less current portion	-	31,250
Total liabilities	114,124	110,954
Net Assets		
Unrestricted	1,011,601	882,916
Temporarily restricted	-	-
Permanently Restricted	-	-
Total net assets	1,011,601	882,916
Total liabilities and net assets	\$ 1,125,725	\$ 993,870

See Accompanying Notes to Financial Statements.

COMPASS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public Support, Revenues and Reclassifications						
Contributions	\$ 369,649	\$ -	369,649	\$ 376,008	\$ -	376,008
Federal financial assistance	1,154,910	-	1,154,910	953,317	-	953,317
Local financial assistance	76,644	-	76,644	44,113	-	44,113
340B Program Income	167,004	-	167,004	95,499	-	95,499
Outreach activities	469,602	-	469,602	342,294	-	342,294
Net assets released from restrictions						
Satisfaction of purpose restrictions	-	-	-	-	-	-
Total public support, revenues and reclassifications	2,237,809	-	2,237,809	1,811,232	-	1,811,232
Expenses						
Program Services						
United Way/P.R.E.P.	92,104	-	92,104	84,243	-	84,243
HIV Prevention	337,084	-	337,084	306,794	-	306,794
Ryan White Title I	1,035,573	-	1,035,573	853,898	-	853,898
Outreach activities	376,772	-	376,772	279,394	-	279,394
Supporting Services						
General and administrative	219,729	-	219,729	201,172	-	201,172
Fundraising	47,862	-	47,862	34,072	-	34,072
Total expenses	2,109,124	-	2,109,124	1,759,573	-	1,759,573
Change in net assets	128,685	-	128,685	51,659	-	51,659
Net assets at beginning of year	882,916	-	882,916	831,257	-	831,257
Net assets at end of year	<u>\$ 1,011,601</u>	<u>\$ -</u>	<u>\$ 1,011,601</u>	<u>\$ 882,916</u>	<u>\$ -</u>	<u>\$ 882,916</u>

See Accompanying Notes to Financial Statements

COMPASS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Youth: (United Way/TOP)	HIV Prevention HIP/Mpwr/TSR	Ryan White Title I	Outreach	Program Total	Fundraising	General & Admin.	Total Expenses
Salaries	\$ 54,140	\$ 158,423	\$ 412,473	\$ 101,863	\$ 726,899	\$ -	\$ 179,695	\$ 906,594
Employee health benefits	6,608	24,475	59,989	7,317	\$ 98,389	-	9,805	\$ 108,194
Payroll taxes	<u>6,577</u>	<u>19,287</u>	<u>50,303</u>	<u>11,180</u>	<u>\$ 87,347</u>	<u>-</u>	<u>18,159</u>	<u>\$ 105,506</u>
Total salaries and related expenses	67,325	202,184	522,765	120,360	912,635	-	207,658	\$ 1,120,293
Advertising	182	911	2,550	911	4,553	-	-	\$ 4,553
Bad debt	-	8,000	-	1,199	9,199	-	-	\$ 9,199
Depreciation and amortization	2,202	11,008	30,824	11,008	55,042	-	-	\$ 55,042
Dues & Subscriptions	172	862	2,414	862	4,310	-	-	\$ 4,310
Education and training	396	1,979	5,541	1,979	9,895	-	-	\$ 9,895
Equipment lease	602	3,009	8,425	3,009	15,045	-	-	\$ 15,045
Food and beverage	1,209	-	-	2,703	3,912	3,846	420	\$ 8,178
Group facilitator, outreach worker and professional services volunteers	2,226	11,132	31,170	11,132	55,660	-	-	\$ 55,660
Insurance	865	4,323	12,103	4,323	21,613	-	-	\$ 21,613
Interest	110	550	1,541	550	2,751	-	-	\$ 2,751
Program Expense (client, event, direct,)	3,304	22,410	226,006	130,593	382,313	43,918	-	\$ 426,231
Bank Fees	234	1,171	3,278	1,171	5,853	-	-	\$ 5,853
Postage	101	505	1,413	407	2,425	98	-	\$ 2,523
Printing	594	2,970	8,317	2,970	14,852	-	-	\$ 14,852
Professional fees	1,165	5,825	16,310	5,825	29,125	-	-	\$ 29,125
Rent (incl In Kind)	6,911	38,156	106,837	28,076	179,981	-	10,800	\$ 190,781
Repairs and maintenance	581	2,905	8,135	2,905	14,527	-	-	\$ 14,527
Supplies	1,353	6,764	18,940	6,764	33,821	-	-	\$ 33,821
Taxes and licenses	59	293	820	293	1,464	-	-	\$ 1,464
Telephone, Internet (Communications)	733	3,667	10,267	3,667	18,335	-	-	\$ 18,335
Travel and transportation	762	3,369	3,664	30,974	38,769	-	851	\$ 39,620
Utilities	<u>1,018</u>	<u>5,091</u>	<u>14,254</u>	<u>5,091</u>	<u>25,454</u>	<u>-</u>	<u>-</u>	<u>\$ 25,454</u>
Total expenses	\$ <u>92,104</u>	\$ <u>337,084</u>	\$ <u>1,035,573</u>	\$ <u>376,772</u>	\$ <u>1,841,533</u>	\$ <u>47,862</u>	\$ <u>219,729</u>	\$ <u>2,109,124</u>

See Accompanying Notes to Financial Statements

COMPASS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Youth: (United Way/YOP)	HIV Prevent: HIP/Mpwr/TSR	Ryan White Title I	Outreach	Program Total	Fundraising	General & Admin.	Total Expenses
Salaries	\$ 46,887	\$ 150,767	\$ 363,271	\$ 56,665	\$ 617,591	\$ -	\$ 168,672	\$ 786,263
Employee health benefits	1,215	25,098	59,573	4,875	\$ 90,761	-	6,724	\$ 97,486
Payroll taxes	4,756	14,741	38,489	4,843	\$ 62,829	-	11,476	\$ 74,305
Total salaries and related expenses	52,858	190,606	461,333	66,383	771,181	-	186,872	\$ 958,054
Advertising	114	454	1,249	454	2,272	-	-	\$ 2,272
Bad debt	-	-	-	3,962	3,962	-	-	\$ 3,962
Depreciation and amortization	2,549	10,195	28,037	10,195	50,976	-	-	\$ 50,976
Dues & Subscriptions	245	981	2,697	981	4,904	-	-	\$ 4,904
Education and training	776	3,104	8,536	3,104	15,520	-	-	\$ 15,520
Equipment lease	800	3,201	8,802	3,201	16,003	-	-	\$ 16,003
Food and beverage	785	-	-	5,111	5,896	3,846	-	\$ 9,741
Group facilitator, outreach worker and professional services volunteers	2,821	11,283	28,208	14,104	56,416	-	-	\$ 56,416
Insurance	759	3,034	8,345	3,034	15,172	-	-	\$ 15,172
Interest	249	995	2,736	995	4,975	-	-	\$ 4,975
Program Expense (client, event, direct,)	2,755	8,058	111,901	95,564	218,277	29,028	-	\$ 247,305
Bank Fees	283	1,131	2,910	1,131	5,455	-	200	\$ 5,655
Postage	169	675	1,757	675	3,275	98	-	\$ 3,373
Printing	655	2,619	5,828	2,619	11,721	1,100	274	\$ 13,094
Professional fees	1,546	6,183	17,003	6,183	30,915	-	-	\$ 30,915
Rent (incl In Kind)	11,563	46,251	127,190	40,551	225,554	-	5,700	\$ 231,254
Repairs and maintenance	327	1,310	3,602	1,310	6,550	-	-	\$ 6,550
Supplies	746	2,985	8,209	2,985	14,925	-	-	\$ 14,925
Taxes and licenses	143	573	1,575	573	2,863	-	-	\$ 2,863
Telephone, Internet (Communications)	830	3,320	9,130	3,320	16,599	-	-	\$ 16,599
Travel and transportation	2,063	5,003	1,559	8,126	16,751	-	8,126	\$ 24,877
Utilities	1,207	4,833	13,291	4,833	24,168	-	-	\$ 24,168
Total expenses	\$ 84,243	\$ 306,794	\$ 853,898	\$ 279,394	\$ 1,524,329	\$ 34,072	\$201,172	\$ 1,759,573

See Accompanying Notes to Financial Statements

COMPASS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash Flows From Operating Activities:		
Increase in net assets	\$ 128,685	\$ 51,659
Adjustments to reconcile increase in net assets to net cash provided by/(used in) operating activities:		
Depreciation and amortization	55,041	50,976
(Increase) decrease in operating assets:		-
Grants receivable	(287,969)	66,453
Promises to give	14,486	23,732
Prepaid expenses and other assets	6,695	(6,695)
Increase (decrease) in operating liabilities:		
Accounts payable	43,414	(10,233)
Accrued expenses	4,637	(175)
Deferred Revenue	(9,721)	9,721
Net cash provided by (used in) operating activities	(44,732)	185,438
Cash Flows From Investing Activities:		
Purchase of furniture and equipment	(38,089)	(19,790)
Net cash (used in) investing activities	(38,089)	(19,790)
Cash Flows From Financing Activities:		
Bank overdraft	2,340	-
Repayments to line of credit	(37,500)	(37,500)
Net cash (used in) financing activities	(35,160)	(37,500)
Net increase in cash and cash equivalents	(117,981)	128,148
Cash and Cash Equivalents		
Beginning of year	205,959	77,811
End of year	\$ 87,978	\$ 205,959
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 2,707	\$ 4,975

See Accompanying Notes to Financial Statements

COMPASS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 **NATURE OF ORGANIZATION’S ACTIVITY AND DESCRIPTION OF PROGRAM SERVICES**

Compass, Inc. (the “Organization”) is a Florida nonprofit entity, which was incorporated in 1988. The Organization is a community-based entity dedicated to serving the gay, lesbian, bisexual and transgender community in Palm Beach County while promoting pride and diversity and public awareness. The Organization provides a community center, health related services, information and referral services and public education. The Organization’s community center and offices are located in Lake Worth, Florida.

Youth and Family Services

Compass’s Mentoring Program is funded by the United Way of Palm Beach County. This program emboldens youth ages 6-18 and their families, who are confronting issues concerning sexual orientation and/or gender identity. Each child or youth is matched with an adult mentor age 22 and up. Four hours per month is required for mentor and mentee to meet and offer support, guidance, and education to the mentees.

In addition to the Compass Mentoring Program, educational and empowering workshops are offered in a safe space to the community at large, including schools and other social service agencies, covering varied topics and interests including arts and culture, money management, higher education, sexuality, gender, school bullying/harassment, and HIV/AIDS education.

The T.O.P (Teen Outreach Program) as added by Compass in October 2012 is funded by Planned Parenthood of South Florida and the Treasure Coast. The program engages youth ages 12-18 y/o to meet several times weekly for social support, leadership opportunities, community service and guided discussions. This new youth program is more curriculum-based while implementing the teen outreach program: an evidence-based program, which empowers youth to lead successful lives and build strong communities. Compass now hosts Gay Straight Alliance (GSA) Meetings for representatives from high schools and universities throughout Palm Beach County to provide an opportunity for young leaders to connect, network, and combine their advocacy efforts to achieve maximum success.

HIV Prevention – Social Networking Strategies and Counseling, Testing and Linkage

As an advocate and health services provider, starting in 2009, Social Networking Strategies, a CDC-approved intervention, and starting in 2013, the High Impact Prevention Program (H.I.P.P.) and MPowerment Program were added through funding by Florida DOH. These programs were added to utilize community networks to help find and encourage HIV testing for individuals at high risk for HIV and to link them to care as soon as possible in the effort to increase healthy outcomes.

Early Intervention and Ryan White Title I

As an advocate and health services provider, these services include medical and non-medical case management interventions that provide services and support to people living with HIV and AIDS throughout Palm Beach County. Services include linkage to life saving medications, assistance for housing, insurance coverage, food, transportation and direct emergency assistance, as well as education on treatment adherence and access to various social and support groups offered at the Organization. This also includes free access to the Cyber Center as well as volunteer opportunities.

Outreach Program

This program, through center memberships, Pride Business Alliance memberships and various sponsorships opportunities ensures that un-funded, or under-funded programs, remain a vital part of our mission, including various social and support groups held at the Center 6 days a week. This department is in charge of promoting pride, advocacy and community organizing which includes community outreach events such as the annual Pridefest of the Palm Beaches and Stonewall Ball. Over 250 not-for-profit organizations, neighborhood associations and public city meetings are organized and held at the Organization’s facility each year. This department also includes the free Cyber Center, volunteer opportunities for community

COMPASS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

members, as well as assistance with continuing the unfunded portion of the Counseling, Testing and Linkage program.

340B Discount Program

Compass enrolled in the federal 340B program in 2015 to help better serve the agency's eligible clients. The 340B Program enables agencies in the private sector to expand its supplemental services and stretch scarce Federal resources as far as possible, reaching more eligible clients and providing more comprehensive services to the population living with HIV/AIDS. The agency falls under the FASB 45-15 guidelines as an "Agent" rather than "Principal", and therefore, reported net revenues of \$167,004 with expenses in the amount of \$382,579.

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

Compass, Inc. prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) ASC 958, *Not for Profit Entities*. Under ASC 958, the Organization is required to report 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 three net asset categories as reflected in the accompanying financial statements are as follows:

- **Unrestricted** - Net assets which are free of donor-imposed restrictions. It includes the Organization's investment in property and equipment and amounts designated by management for support of operations, programs, and facilities expansion. The Organization has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Organization and, therefore, the Organization's policy is to record these net assets as unrestricted. This category includes all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.
- **Temporarily Restricted** - Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire with the passage of time or that can be fulfilled or removed by actions of the Organization pursuant to those stipulations. These net assets are available for program purposes as well as for buildings and equipment.
- **Permanently Restricted** - Net assets whose use by the Organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. These net assets are invested in perpetuity, the income from which is expended for program purposes.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cash in banks. For purposes of the statement of cash flows, the Company considers all unrestricted highly liquid investments with maturities of three months or less to be cash equivalents. As of June 30, 2017 and 2016, the Organization had no cash balances in excess of FDIC insurance at its financial institutions.

COMPASS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Advertising

Compass, Inc. uses advertising to promote its programs to the community it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$4,553 and \$2,272 for the years ended June 30, 2017 and 2016, respectively.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual results could differ from those estimates.

Concentration of Support

Approximately 55% and 55% in the years ended June 30, 2017 and 2016, respectively, of the Organization's funding originates from federal, state or local agencies. If funding policies and/or amounts of funding were to be substantially reduced by these agencies, operations of the Organization could be significantly affected. Grants Receivable is made up 100% of grants from federal, state or local agencies.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on a straight-line method over a 3 to 20 year period. Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease and is included in depreciation expense. The Organization capitalizes purchases greater than or equal to \$1,000, all other purchases are expensed as incurred.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services.

Grants Receivable

The grants receivable relate to flat rate payments with performance-based requirements and/or grant cost reimbursements. All of the recorded grants receivable are deemed collectible by management.

Income Taxes

Compass, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, if income from certain activities not directly related to the Organization's tax-exempt purpose were received, it would be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Organizations' tax returns for the years 2013-2017 remain open to Internal Revenue Services Audit.

Promises to Give and Deferred Revenue

Unconditional promises to give in the future are recorded as promises to give revenue and contributions receivable. If management expects the cash from the contribution receivable to be received more than one year in the future, the promises to give revenue and receivable are discounted for the time value of money (i.e., net present value) at a discount rate of 4%. Management estimates the allowance for uncollectible promises based on historical write offs.

Restricted and Unrestricted Revenue and Support

Contributions that are restricted by the donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized.

COMPASS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of this 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 Statements of Activities as net assets released from restrictions.

Federal, state, and local grant awards that are considered conditional promises to give are classified as refundable advances until expended for the purposes of the grants.

Fair value of financial instruments

The carrying amounts of cash, receivables, accounts payable and accrued expenses approximate fair value because of the short maturity of these financial instruments. The carrying amounts of the capital leases approximate their fair value because the interest rates reflect current market rates for liabilities with similar maturities and credit quality.

Reclassifications

Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported change in net assets.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will amend current lease accounting to require lessees to recognize (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 does not significantly change lease accounting requirements applicable to lessors; however, certain changes were made to align, where necessary, lessor accounting with the lessee accounting model. This standard will be effective for fiscal years beginning after December 15, 2019. Compass, Inc. is currently reviewing the provisions of this ASU to determine if there will be any impact on statement of activities, cash flows or financial position.

All other recent accounting pronouncements issued by FASB (including the Emerging Issues Task Force) and the AICPA did not, or are not, believed by the Organization's management, to have a material impact on the Organization's present or future financial statements.

NOTE 3

PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following at June 30, 2017 and 2016, respectively:

	2017	2016
Land	\$ 4,190	\$ 4,190
Building and building improvements	858,197	858,197
Office equipment	331,929	293,840
Furniture and fixtures	348,260	348,260
	<u>1,542,576</u>	<u>1,504,487</u>
Less: accumulated depreciation	(987,892)	(932,851)
	<u>\$ 554,684</u>	<u>\$ 571,636</u>

COMPASS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

The Organization's additions for the years ended June 30, 2017 and 2016 were \$38,089 and \$19,790, respectively. Depreciation expense for the years ended June 30, 2017 and 2016 was \$55,041 and \$50,976, respectively.

NOTE 4 **PROMISES TO GIVE AND TEMPORARILY RESTRICTED NET ASSETS**

The balances of unconditional promises to give are as follows as of June 30, 2017 and 2016, respectively:

	2017	2016
Less than one year	\$ 2,153	\$ 16,639
One to three years	-	-
More than three years	-	-
Total promises to give	2,153	16,639
Less discount for present value	-	-
Less allowance for doubtful promises to give	-	-
Net promises to give	\$ 2,153	\$ 16,639

At June 30, 2017 and 2016, promises to give includes \$2,153 and \$16,639, respectively, primarily from donations for the PREP program, and ticket sales, silent auction items and sponsorships in association with the Organization's Stonewall Ball outreach event held each June. These promises to give were collected within 60 days subsequent to June 30, 2017 and 2016, respectively.

NOTE 5 **GRANTS RECEIVABLE**

Grants receivable consist of the following at June 30, 2017 and 2016, respectively:

	2017	2016
<u>Palm Beach County Health Unit</u>		
CODJG 2016	-	8,333
CODHW 2016	-	15,000
CODNG 2017	16,667	-
PB344	45,000	-
 <u>Palm Beach County Community Services Department</u>		
Ryan White Title I – HIV Health Support Services		
R2016 - 0491	-	114,770
R2017 - 0251	326,163	-
 <u>State of Florida DOH</u>		
	-	46,333
 <u>Planned Parenthood</u>		
PREP	4,392	3,168
 <u>Misc</u>		
Total	\$ 475,573	\$ 187,604

NOTE 6 **LOANS**

COMPASS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

In March 2014, the Organization modified a revolving line of credit with a bank with maximum borrowings of \$150,000 into a term loan with the same bank. The loan bears interest equal to 5.25% and matures on April 6, 2018 with required principal payments of \$3,125 per month beginning in May 2014. All borrowings are collateralized by substantially all the business assets of the Organization. The outstanding balance on the loan/line of credit was \$31,250 and \$68,750 as of June 30, 2017 and 2016, respectively. \$31,250 is classified as short-term liabilities as it is due within the next twelve months.

NOTE 7 **CONTRIBUTED SERVICES**

The Organization recognized contribution revenue for the years ended June 30, 2017 and 2016, respectively, for contributed services related to the HIV Prevention program. Contribution revenue from services was measured based on the fair value of these services, and the amounts are as follows:

	2017	2016
Group facilitators – 1,140 and 1,020 hours at \$35 and \$35, respectively	\$ 39,900	\$ 35,700
Group facilitators – 646 and 646 hours at \$12 and \$12, respectively	7,752	7,752
HIV Testing & CM Tech – 572 and 926 hours at \$14 and \$14, respectively	8,008	12,964
Total	\$ 55,660	\$ 56,416

During 2017 and 2016, volunteers provided 2,358 and 2,592 hours of administrative and facility maintenance assistance valued at approximately \$55,660 and \$56,416 respectively. The values of the administrative services were not recognized as revenue or expense in the accompanying Statement of Activities for the year ended June 30, 2017 and 2016.

NOTE 8 **LEASE COMMITMENTS**

Operating Leases

In May 2007, the Organization executed an operating lease agreement for a municipal facility in Lake Worth, Florida. The term of the lease began in March 2008, upon possession of the facility by the Organization and will continue through 2028. The initial rent amount was \$1,000 annually. Effective April 2010, the lease was amended to increase the annual rent amount to \$19,445. In March 2009, the Organization took occupancy of the building and completed its renovations. In-kind revenues and rent expense were recognized for the fair value of the rent under the lease of \$160,786 and \$203,603 for the years ended June 30, 2017 and 2016 respectively.

Rent expense for the years ended June 30, 2017 and 2016 totaled \$190,781 and \$223,048, respectively.

The future minimum lease payments required under the operating leases are as follows as of June 30, 2017 and thereafter:

Year Ending June 30,	Amount
2018	\$ 19,445
2019	19,445
2020	19,445
2021	19,445
Thereafter	124,770
Total minimum lease payments	\$ 202,550

COMPASS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 9 **ASSISTANCE FROM GOVERNMENTAL AGENCIES**

The following details the reimbursements and receipts from governmental agencies for the years ending June 30, 2017 and 2016, respectively:

	2017	2016
<u>Federal Financial Assistance</u>		
Department of Health and Human Services, Public Health Services – II through Palm Beach County HIV Emergency Relief Project Grant		
R2017 - 0251	\$ 327,699	\$ -
R2016 - 0491	552,211	210,411
R2015 - 0615	-	467,906
Through Florida Department of Health, Palm Beach County Public Health Unit, HIV Prevention Activities – Health Department Based		
CODNG - 2017	50,000	-
CODJG - 2017	50,000	-
CODJG - 2016	-	100,000
CODHW - 2016	-	175,000
PB344 - 2017	175,000	-
Total	\$ 1,154,910	\$ 953,317
<u>Local Financial Assistance</u>		
Planned Parenthood		
2016/2017	\$ 39,518	\$ -
2016/2015	12,126	44,113
CSC - Community Improvement Initiative grant	25,000	-
Total	\$ 76,644	\$ 44,113
Grand Total	\$ 1,231,554	\$ 997,430

NOTE 10 **SUBSEQUENT EVENTS**

The Organization evaluated subsequent events through December 29, 2017, the date of issuance of these financial statements. No material subsequent events have occurred.

**SCHEDULE 1 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Compass, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Federal Grantor/Pass-Through	Federal	Pass-Through	Federal
Grantor/Program or Cluster Title	CFDA	Entity	Federal
Grantor/Program or Cluster Title	Number	Identifying	Expenditures
Grantor/Program or Cluster Title	Number	Number	Expenditures
U.S. Department of Health and Human Services:			
Pass-through programs from:			
Palm Beach County, Florida, Community Services			
Department:			
HIV Emergency Relief Project Grants	* 93.914	R2016 – 0491	\$ 552,211
HIV Emergency Relief Project Grants	* 93.914	R2017 – 0251	327,699
			<hr/>
			\$ 879,910
State of Florida, Department of Health:			
HIV Prevention Program – Health			
Department Based	93.940	CODHW	50,000
	93.940	CODJG	50,000
	93.940	PB344-2017	175,000
			<hr/>
			\$ 275,000
Total U.S. Department of Health and Human Services			<hr/>
			\$ 1,154,910
Total expenditures of federal awards			<hr/> <hr/>
			\$ 1,154,910

* Denotes Major Program

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of Compass, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Compass, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Compass, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Compass, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Compass, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LIGGETT & WEBB, P.A.
Certified Public Accountants

Boynton Beach, Florida
December 29, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees of Compass, Inc.

Report on Compliance for Each Major Federal Program

We have audited Compass, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Compass, Inc.'s major federal programs for the year ended June 30, 2017. Compass, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Compass Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Compass, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Compass, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Compass, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Compass, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Compass, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Compass, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

LIGGETT & WEBB, P.A.
Certified Public Accountants

Boynton Beach, Florida
December 29, 2017

COMPASS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Compass, Inc.
2. No instances of noncompliance material to the financial statements of Compass, Inc. which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
3. No reportable conditions or material weaknesses in internal control over major programs were disclosed during the audit.
4. The auditor's report on compliance for the major federal award programs for Compass, Inc. expresses an unqualified opinion on all major programs.
5. No audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
6. The program tested as the major program was the HIV Emergency Relief Grant Program Part A Formula Grants – CFDA # 93.914
7. The threshold for distinguishing Type A and B Programs was \$300,000.
8. Compass, Inc. qualifies as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

No reportable conditions were disclosed.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

No audit findings that are required to be reported in accordance with 2 CFR 200.516(a) or questioned costs were disclosed.