

COMPASS, INC.
FINANCIAL STATEMENTS
JUNE 30, 2018 & 2017

COMPASS, INC.

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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, 2018 and 2017, 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, 2018 and 2017, 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 27, 2018, 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.

LIGGETT & WEBB, P.A.
Certified Public Accountants

Boynton Beach, Florida
December 21, 2018

COMPASS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
Cash	\$ 353,378	\$ 87,978
Grants receivable	319,335	475,573
Promises to Give and Fundraising Receivable	25,688	2,153
Prepaid expenses	387	387
Total current assets	698,788	566,091
Deposits and Other Assets	4,950	4,950
Property and Equipment, net	499,891	554,684
Total assets	\$ 1,203,629	\$ 1,125,725
Liabilities and Net Assets		
Accounts payable	\$ 19,631	\$ 57,466
Accrued expenses	39,713	23,068
Bank overdraft	-	2,340
Loans, current	-	31,250
Total liabilities	59,344	114,124
Net Assets		
Unrestricted	1,144,285	1,011,601
Temporarily restricted	-	-
Permanently Restricted	-	-
Total net assets	1,144,285	1,011,601
Total liabilities and net assets	\$ 1,203,629	\$ 1,125,725

See Accompanying Notes to Financial Statements

COMPASS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public Support, Revenues and Reclassifications						
Contributions	\$ 323,990	\$ -	\$ 323,990	\$ 349,648	\$ -	\$ 349,648
Federal financial assistance	1,278,347	-	1,278,347	1,206,554	-	1,206,554
Local financial assistance	68,934	-	68,934	45,000	-	45,000
340B Program Income, net	121,814	-	121,814	167,004	-	167,004
Outreach activities	243,350	-	243,350	161,447	-	161,447
Fundraising activities, net	140,188	-	140,188	247,918	-	247,918
Net assets released from restrictions						
Satisfaction of purpose restrictions	-	-	-	-	-	-
Total public support, revenues and reclassifications	2,176,623	-	2,176,623	2,177,571	-	2,177,571
Expenses						
Program Services						
United Way/P.R.E.P.	149,331	-	149,331	92,104	-	92,104
HIV Prevention	299,286	-	299,286	337,084	-	337,084
Ryan White Title I	1,025,478	-	1,025,478	1,035,573	-	1,035,573
Outreach activities	384,669	-	384,669	354,362	-	354,362
Supporting Services						
General and administrative	171,903	-	171,903	219,729	-	219,729
Fundraising	13,272	-	13,272	10,034	-	10,034
Total expenses	2,043,939	-	2,043,939	2,048,886	-	2,048,886
Change in net assets	132,684	-	132,684	128,685	-	128,685
Net assets at beginning of year	1,011,601	-	1,011,601	882,916	-	882,916
Net assets at end of year	<u>\$ 1,144,285</u>	<u>\$ -</u>	<u>\$ 1,144,285</u>	<u>\$ 1,011,601</u>	<u>\$ -</u>	<u>\$ 1,011,601</u>

See Accompanying Notes to Financial Statements.

COMPASS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Youth: (United Way/YOP)	HIV Prevent: HIP/Mpwr/TSR	Ryan White Title I	Outreach	Program Total	Fundraising	General & Admin.	Total Expenses
Salaries	\$ 76,622	\$ 168,658	\$ 466,872	\$ 83,003	\$ 795,155	\$ -	\$ 144,532	\$ 939,687
Employee health benefits	13,503	26,755	78,057	7,449	125,764	-	8,984	\$ 134,748
Payroll taxes	<u>7,457</u>	<u>14,764</u>	<u>44,677</u>	<u>7,787</u>	<u>74,685</u>	<u>-</u>	<u>9,575</u>	<u>\$ 84,260</u>
Total salaries and related expenses	97,582	210,177	589,606	98,239	995,604	-	163,091	\$ 1,158,695
Advertising	214	383	781	1,145	2,523	442	-	\$ 2,965
Bad debt	-	-	-	-	-	-	-	\$ -
Depreciation and amortization	4,383	10,959	28,492	10,959	54,793	-	-	\$ 54,793
Dues & Subscriptions	21	1,265	742	2,088	4,116	50	-	\$ 4,166
Education and training	2,384	813	1,620	35,555	40,372	-	-	\$ 40,372
Equipment lease	5,747	2,441	7,184	13,416	28,788	-	-	\$ 28,788
Food and beverage	2,016	74	-	2,709	4,799	3,335	872	\$ 9,006
Outreach workers and professional services volunteers (In Kind)	1,630	4,076	4,076	10,596	20,378	-	-	\$ 20,378
Insurance	859	3,798	10,094	3,625	18,376	-	-	\$ 18,376
Interest	-	-	-	-	-	-	786	\$ 786
Program Expense (client, event, direct)	6,245	2,720	233,501	<u>130,964</u>	373,430	-	-	\$ 373,430
Bank Fees	10	49	106	1,707	1,872	2,367	-	\$ 4,239
Postage	101	511	878	917	2,407	1,675	-	\$ 4,082
Printing	467	1,115	2,616	10,151	14,349	1,967	-	\$ 16,316
Professional fees	2,753	5,862	15,602	7,478	31,695	-	-	\$ 31,695
Rent (incl. In Kind)	14,884	37,209	96,744	37,209	186,046	-	6,750	\$ 192,796
Repairs and maintenance	1,546	3,042	6,274	2,128	12,990	-	-	\$ 12,990
Supplies	2,055	2,599	2,333	4,803	11,790	3,176	-	\$ 14,966
Taxes and licenses	142	138	430	1,815	2,525	260	-	\$ 2,785
Telephone, Internet (Communications)	2,716	3,898	9,606	3,441	19,661	-	18	\$ 19,679
Travel and transportation	1,656	2,305	236	871	5,068	-	386	\$ 5,454
Utilities	<u>1,920</u>	<u>5,852</u>	<u>14,557</u>	<u>4,853</u>	<u>27,182</u>	<u>-</u>	<u>-</u>	<u>\$ 27,182</u>
Total expenses	\$ <u>149,331</u>	\$ <u>299,286</u>	\$ <u>1,025,478</u>	\$ <u>384,669</u>	\$ <u>1,858,764</u>	\$ <u>13,272</u>	\$ <u>171,903</u>	\$ <u>2,043,939</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	\$ 101,864	\$ 726,900	\$ -	\$ 179,694	\$ 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>19,286</u>	<u>50,303</u>	<u>11,180</u>	<u>87,346</u>	<u>-</u>	<u>18,159</u>	<u>\$ 105,505</u>
Total salaries and related expenses	67,325	202,184	522,765	120,361	912,635	-	207,658	\$ 1,120,293
Advertising	182	911	2,550	911	4,554	-	-	\$ 4,554
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 (In Kind)	2,226	11,132	31,170	11,132	55,660	-	-	\$ 55,660
Insurance	865	4,323	12,103	4,323	21,614	-	-	\$ 21,614
Interest	110	550	1,541	550	2,751	-	-	\$ 2,751
Program Expense (client, event, direct,)	3,304	22,410	226,006	108,183	359,903	6,090	-	\$ 365,993
Bank Fees	234	1,171	3,278	1,171	5,854	-	-	\$ 5,854
Postage	101	505	1,413	407	2,426	98	-	\$ 2,524
Printing	594	2,970	8,317	2,970	14,851	-	-	\$ 14,851
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	179,980	-	10,800	\$ 190,780
Repairs and maintenance	581	2,905	8,135	2,905	14,526	-	-	\$ 14,526
Supplies	1,353	6,764	18,940	6,764	33,821	-	-	\$ 33,821
Taxes and licenses	59	293	820	293	1,465	-	-	\$ 1,465
Telephone, Internet (Communications)	733	3,667	10,268	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>14,252</u>	<u>5,090</u>	<u>25,451</u>	<u>-</u>	<u>-</u>	<u>\$ 25,451</u>
Total expenses	\$ <u>92,104</u>	\$ <u>337,084</u>	\$ <u>1,035,573</u>	\$ <u>354,362</u>	\$ <u>1,819,123</u>	\$ <u>10,034</u>	\$ <u>219,729</u>	\$ <u>2,048,886</u>

See Accompanying Notes to Financial Statements

COMPASS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Increase in net assets	\$ 132,684	\$ 128,685
Adjustments to reconcile increase in net assets to net cash provided by/(used in) operating activities:		
Depreciation and amortization	54,793	55,042
(Increase) decrease in operating assets:		
Grants receivable	156,238	(287,969)
Promises to give	(23,535)	14,486
Prepaid expenses and other assets	-	6,695
Increase (decrease) in operating liabilities:		
Accounts payable	(37,835)	43,413
Accrued expenses	16,645	4,637
Net cash provided by (used in) operating activities	298,990	(35,011)
Cash Flows From Investing Activities:		
Purchase of furniture and equipment	-	(38,089)
Net cash (used in) investing activities	-	(38,089)
Cash Flows From Financing Activities:		
Bank Overdraft	(2,340)	(7,381)
Repayments to line of credit	(31,250)	(37,500)
Net cash (used in) financing activities	(33,590)	(44,881)
Net increase in cash and cash equivalents	265,400	(117,981)
Cash and Cash Equivalents		
Beginning of year	87,978	205,959
End of year	\$ 353,378	\$ 87,978
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 752	\$ 2,707

See Accompanying Notes to Financial Statements.

COMPASS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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.

In October 2017, Palm Beach County Youth Services funded a previously un-funded program; the Compass' Transgender Youth Program. Currently, the center's fastest growing program, a dedicated full time staff member now serves youth ages 12-18 who identify as non-binary and/or transgender offering much needed direct services to these youth and their families. In addition to providing linkage to these families to culturally competent mental health and medical providers, this program also funds cultural competency trainings throughout the year that are being held around the county including governmental offices, major corporations and students at various universities seeking bachelors degrees in the various fields of social work.

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.

COMPASS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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 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 \$121,814 with expenses in the amount of \$361,117.

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.

COMPASS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018 and 2017, the Organization had no cash balances in excess of FDIC insurance at its financial institutions.

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 \$2,965 and \$4,553 for the years ended June 30, 2018 and 2017, 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. Significant estimates include depreciable lives of property and equipment and valuation of donated services and donated rent.

Concentration of Support

Approximately 61% and 55% in the years ended June 30, 2018 and 2017, 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 2014-2018 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

COMPASS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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.

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 June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU will assist entities in (1) evaluating whether a transaction should be accounted for as a contribution or as an exchange transaction and (2) determining whether the contribution is conditional. If the transaction is considered a contribution, the Organization should follow the guidance in Subtopic 958-605, *Not-for-Profit Entities – Revenue Recognition*. If the transaction is considered an exchange transaction, the Organization should follow other guidance, namely Topic 606, *Revenue from Contracts with Customers*. This ASU calls for a prospective modification basis in which on the first set of financial statements to be issued after the effective date of the amendment, all agreements should be modified that are either not completed as of the effective date or entered into after the effective date. The Organization may also adopt the ASU on a retrospective modification basis. This standard will be effective for fiscal years beginning after December 15, 2018 and early adoption is permitted. Compass, Inc. is currently reviewing the provisions of this ASU to determine if there will be any significant impact on our statement of activities, cash flows or financial position.

In February 2017, the FASB issued ASU 2017-02, *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 2017-02 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.

COMPASS, INC.
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In August 2016, the FASB issued ASU 2016-14, “*Presentation of Financial Statements of Not-for-Profit Entities*” (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information, regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. This ASU calls for a retrospective modification basis in the year the Update is first applied. This ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2017. Compass, Inc. is currently reviewing the provisions of this ASU to determine if there will be any impact on the statement of activities, cash flows or financial position.

In May 2014, the FASB issued ASU 2014-09, “*Revenue from Contracts with Customers*,” which establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry specific guidance. For non-public entities, the new standard was originally effective for annual periods beginning after December 15, 2017. In August 2015, the FASB issued ASU 2015-4, “*Revenue from Contracts with Customers (Topic 606) – Deferral of Effective Date*,” which deferred the effective date for one year. Accordingly, this ASU will be effective for the Organization for the year ending December 31, 2019. The Organization is currently reviewing the provisions of this ASU to determine if there will be any material impact on the 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, 2018 and 2017, respectively:

	2018	2017
Land	\$ 4,190	\$ 4,190
Building and building improvements	858,197	858,197
Office equipment	331,929	331,929
Furniture and fixtures	348,260	348,260
	1,542,576	1,542,576
Less: accumulated depreciation	(1,042,685)	(987,892)
	\$ 499,891	\$ 554,684

The Organization’s additions for the years ended June 30, 2018 and 2017 were \$0 and \$38,089, respectively. Depreciation expense for the years ended June 30, 2018 and 2017 was \$54,793 and \$55,042, 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, 2018 and 2017, respectively:

COMPASS, INC.
NOTES TO FINANCIAL STATEMENTS
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	2018	2017
Less than one year	\$ 25,688	\$ 2,153
One to three years	-	-
More than three years	-	-
Total promises to give	25,688	2,153
Less discount for present value	-	-
Less allowance for doubtful promises to give	-	-
Net promises to give	<u>\$ 25,688</u>	<u>\$ 2,153</u>

At June 30, 2018 and 2017, promises to give includes \$25,688 and \$2,153, 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, 2018 and 2017, respectively.

NOTE 5 **GRANTS RECEIVABLE**

Grants receivable consist of the following at June 30, 2018 and 2017, respectively:

	2018	2017
<u>Palm Beach County Health Unit</u>		
CODNG 2017	-	16,667
CODNG 2018	16,667	-
PB344	-	45,000
PB372	42,500	-
<u>Palm Beach County Community Services Department</u>		
Ryan White Title I – HIV Health Support Services		
R2017 - 0251	-	326,163
R2018 - 0223	162,765	-
<u>Palm Beach County Youth Services Department</u>		
R2017-1511	13,665	-
<u>Planned Parenthood</u>		
PREP	4,748	4,392
<u>Miscellaneous</u>	78,990	83,351
Total	<u>\$ 319,335</u>	<u>\$ 475,573</u>

NOTE 6 **LOANS**

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 \$0 and \$31,250 as of June 30, 2018 and 2017, respectively.

NOTE 7 **CONTRIBUTED SERVICES**

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The Organization recognized contribution revenue for the years ended June 30, 2018 and 2017, 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:

	2018	2017
Group facilitators – 0 and 1,140 hours at \$0 and \$35, respectively	\$ -	\$ 39,900
Outreach volunteers – 745 and 646 hours at \$12 and \$12, respectively	8,940	7,752
HIV Testing & CM Tech – 817 and 572 hours at \$14 and \$14, respectively	11,438	8,008
Total	\$ 20,378	\$ 55,660

During 2018 and 2017, volunteers provided 4,756 and 2,821 hours of administrative and facility maintenance assistance valued at approximately \$76,058 and \$28,210 respectively. The values of the administrative services and facility maintenance assistance contributed were not recognized as revenue or expense in the accompanying Statement of Activities for the year ended June 30, 2018 and 2017.

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 \$166,601 and \$160,786 for the years ended June 30, 2018 and 2017 respectively.

Rent expense for the years ended June 30, 2018 and 2017 totaled \$192,796 and \$190,781, respectively.

The future minimum lease payments required under the operating leases are as follows as of June 30, 2018 and thereafter:

FY Year Ending June 30,	Amount
2019	\$ 19,445
2020	19,445
2021	19,445
2022	19,445
Thereafter	113,425
Total minimum lease payments	\$ 191,205

NOTE 9 **ASSISTANCE FROM GOVERNMENTAL AGENCIES**

The following details the reimbursements and receipts from governmental agencies for the years ending June 30, 2018 and 2017, respectively:

COMPASS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
<u>Federal Financial Assistance</u>		
Department of Health and Human Services, Public Health Services – II through Palm Beach County HIV Emergency Relief Project Grant		
R2018 - 0229	\$ 31,991	\$ -
R2018 - 0223	261,462	-
R2017 - 0251	648,239	327,699
R2016 - 0491	-	552,211
Through Florida Department of Health, Palm Beach County Public Health Unit, HIV Prevention Activities – Health Department Based		
CODNG - 2018	50,000	-
CODNG - 2017	50,000	50,000
CODJG - 2017	-	50,000
PB344	89,738	175,000
PB372	87,500	-
Department of Health and Human Services, through the Office of Adolescent Health to Planned Parenthood of South, North and East Florida		
2017-2018	46,361	-
2016/2017	13,056	39,518
2016/2015	-	12,126
Total	\$ 1,278,347	\$ 1,206,554
<u>Local Financial Assistance</u>		
Palm Beach County Youth Services Department		
R2017 - 1511	\$ 48,525	\$ -
CSC	-	25,000
United Way		
2018/2019	15,409	-
2017/2018	5,000	10,000
2016/2017	-	10,000
Total	\$ 68,934	\$ 45,000
Grand Total	\$ 1,347,281	\$ 1,251,554

NOTE 10 **SUBSEQUENT EVENTS**

The Organization evaluated subsequent events through December 21, 2018, 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, 2018**

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	Expenditures
	Number	Identifying	
		Number	
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	R2018 – 0223	\$ 261,462
HIV Emergency Relief Project Grants	* 93.914	R2017 – 0251	648,239
HIV Care Formula Grants	93.917	R2018 - 0229	31,991
			<u>941,692</u>
Planned Parenthood of South, North and East Florida:			
Guardianship Assistance	93.092	PREP	59,417
State of Florida, Department of Health:			
HIV Prevention Program – Health Department Based			
	93.940	2017 - CODNG	50,000
	93.940	2018 - CODNG	50,000
	93.940	PB372	87,500
	93.940	PB344	89,738
			<u>277,238</u>
Total U.S. Department of Health and Human Services			<u>277,238</u>
Total expenditures of federal awards			<u><u>\$ 1,278,347</u></u>

* 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, 2018, 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 21, 2018.

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 21, 2018

**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, 2018. 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, 2018.

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.

LIGGETT & WEBB, P.A.
Certified Public Accountants

Boynton Beach, Florida
December 21, 2018

COMPASS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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 \$187,500.
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.