

**COMPAS, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2016**

# COMPAS, INC.

## FINANCIAL STATEMENTS

For the Year Ended June 30, 2016  
(With Comparative totals for 2015)

### TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



# Mahoney Ulbrich Christiansen Russ P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

(Continued)

## **Opinion**

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

## **Change in Accounting Policy**

The accounting policy for the release of restricted contributions was changed in 2016. Restricted contributions are reported as unrestricted if the related restrictions are met in the same year the contribution is received. Our opinion is not modified with respect to that matter.

## **Report on Summarized Comparative Information**

We have previously audited COMPAS, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 9, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mahoney Ulbrich  
Christiansen Russ P.A.*

Saint Paul, Minnesota  
December 7, 2016

# COMPAS, INC.

## STATEMENT OF FINANCIAL POSITION

June 30, 2016  
(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 104,733	\$ 78,792
Accounts receivable, net	63,498	60,401
Contributions and grants receivable, net	62,247	94,036
Prepaid expenses	1,540	1,786
Total current assets	<u>232,018</u>	<u>235,015</u>
Furniture and equipment, net	<u>8,182</u>	<u>12,759</u>
Total assets	<u>\$ 240,200</u>	<u>\$ 247,774</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 98,836	\$ 87,423
Accrued payroll and related	10,404	16,476
Deferred revenue	7,260	-
Total current liabilities	<u>116,500</u>	<u>103,899</u>
Net assets		
Unrestricted	(15,421)	(45,490)
Temporarily restricted	139,121	189,365
Total net assets	<u>123,700</u>	<u>143,875</u>
Total liabilities and net assets	<u>\$ 240,200</u>	<u>\$ 247,774</u>

See Accompanying Notes to Financial Statements.

**COMPAS, INC.**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2016  
(With Comparative Totals for 2015)

	2016			Total	2015
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Support and revenue:</b>					
<b>Support</b>					
Foundation and corporate contributions	\$ 130,009	\$ 116,000	\$ -	\$ 246,009	\$ 315,066
Government grants and contracts	71,929	210,000	-	281,929	178,120
Individual contributions	78,043	-	-	78,043	83,205
In-kind contributions	58,634	-	-	58,634	94,162
Net assets released from restrictions	376,244	(376,244)	-	-	-
<b>Total support</b>	<u>714,859</u>	<u>(50,244)</u>	<u>-</u>	<u>664,615</u>	<u>670,553</u>
<b>Revenue</b>					
Program service fees	564,773	-	-	564,773	412,314
Special event (net of direct donor benefits of \$15,111 in 2016 and \$6,113 in 2015)	21,079	-	-	21,079	29,051
Interest	14	-	-	14	37
<b>Total revenue</b>	<u>585,866</u>	<u>-</u>	<u>-</u>	<u>585,866</u>	<u>441,402</u>
<b>Total support and revenue</b>	<u>1,300,725</u>	<u>(50,244)</u>	<u>-</u>	<u>1,250,481</u>	<u>1,111,955</u>
<b>Expenses:</b>					
<b>Program services</b>					
Creative Classroom	660,836	-	-	660,836	533,466
Creative Youth	107,134	-	-	107,134	117,331
Arts in Healthcare and Artful Aging	207,543	-	-	207,543	164,709
Art Awareness	14,648	-	-	14,648	9,689
<b>Total program services</b>	<u>990,161</u>	<u>-</u>	<u>-</u>	<u>990,161</u>	<u>825,195</u>
Management and general	169,069	-	-	169,069	203,706
Fundraising	111,426	-	-	111,426	102,229
<b>Total expenses</b>	<u>1,270,656</u>	<u>-</u>	<u>-</u>	<u>1,270,656</u>	<u>1,131,130</u>
<b>Change in net assets</b>	30,069	(50,244)	-	(20,175)	(19,175)
<b>Net assets:</b>					
Beginning of year	(45,490)	189,365	-	143,875	163,050
<b>End of year</b>	<u>\$ (15,421)</u>	<u>\$ 139,121</u>	<u>\$ -</u>	<u>\$ 123,700</u>	<u>\$ 143,875</u>

See Accompanying Notes to Financial Statements.

**COMPAS, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016  
(With Comparative Totals for 2015)

	2016								2015
	Creative Classroom	Creative Youth	Arts in Healthcare and Artful Aging	Art Awareness	Total program services	Management and general	Fundraising	Total	
Salaries and seasonal wages	\$ 198,942	\$ 71,140	\$ 59,593	\$ -	\$ 329,675	\$ 39,430	\$ 80,204	\$ 449,309	\$ 406,901
Payroll taxes	15,090	5,302	4,520	-	24,912	2,991	6,084	33,987	30,402
Employee benefits	5,728	1,720	1,679	-	9,127	6,684	1,293	17,104	16,780
<b>Total salaries and related expenses</b>	<b>219,760</b>	<b>78,162</b>	<b>65,792</b>	<b>-</b>	<b>363,714</b>	<b>49,105</b>	<b>87,581</b>	<b>500,400</b>	<b>454,083</b>
Grants	-	-	-	-	-	-	-	-	400
Contract artists	359,024	16,455	109,705	-	485,184	174	1,556	486,914	361,678
Exhibit, designer and artwork	680	327	-	-	1,007	-	-	1,007	2,496
Supplies	19,641	4,540	3,067	271	27,519	1,875	8,706	38,100	23,687
Artist travel and training	1,085	399	943	20	2,447	213	19	2,679	5,702
Audit and accounting	-	-	-	-	-	10,970	-	10,970	29,840
IT services, technology and website	-	-	-	-	-	14,393	-	14,393	11,096
Other professional services	8,198	467	23,344	-	32,009	63,391	3,703	99,103	138,851
Occupancy	11,157	3,920	3,342	-	18,419	2,213	4,498	25,130	20,811
Telephone	-	-	-	-	-	6,595	-	6,595	6,513
Equipment rental and leases	844	-	-	-	844	2,533	2,085	5,462	5,458
Depreciation	-	-	-	-	-	4,577	-	4,577	5,676
Printing and copying	4,199	-	74	529	4,802	5,213	8,738	18,753	12,119
Postage and shipping	1,845	648	553	-	3,046	366	744	4,156	3,954
Memberships and dues	-	365	205	12,695	13,265	922	-	14,187	13,542
Travel and meetings	29,601	781	97	60	30,539	581	2,741	33,861	23,067
Insurance	1,531	153	421	-	2,105	995	990	4,090	3,287
Marketing and advertising	1,790	132	-	595	2,517	87	1,437	4,041	1,458
Bad debts	-	-	-	-	-	-	-	-	5,023
Bank fees	115	78	-	-	193	1,462	1,441	3,096	2,560
Miscellaneous expenses	1,366	707	-	478	2,551	3,404	2,298	8,253	5,942
<b>Total expenses before removal of special event direct expenses</b>	<b>660,836</b>	<b>107,134</b>	<b>207,543</b>	<b>14,648</b>	<b>990,161</b>	<b>169,069</b>	<b>126,537</b>	<b>1,285,767</b>	<b>1,137,243</b>
Special event direct expenses	-	-	-	-	-	-	(15,111)	(15,111)	(6,113)
<b>Total expenses</b>	<b>\$ 660,836</b>	<b>\$ 107,134</b>	<b>\$ 207,543</b>	<b>\$ 14,648</b>	<b>\$ 990,161</b>	<b>\$ 169,069</b>	<b>\$ 111,426</b>	<b>\$ 1,270,656</b>	<b>\$ 1,131,130</b>
	<u>52.0%</u>	<u>8.4%</u>	<u>16.3%</u>	<u>1.2%</u>	<u>77.9%</u>	<u>13.3%</u>	<u>8.8%</u>	<u>100.0%</u>	

See Accompanying Notes to Financial Statements.

# COMPAS, INC.

## STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016  
(With Comparative Totals for 2015)

### Increase (Decrease) in Cash and Cash Equivalents

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (20,175)	\$ (19,175)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	4,577	5,675
Bad debts	-	5,023
Changes in operating assets and liabilities:		
Accounts receivable	(3,097)	(34,225)
Contributions and grants receivable	31,789	(73,126)
UAF pledges receivables	-	92,160
Prepaid expenses	246	2,981
Accounts payable	11,413	66,429
Accrued payroll and related	(6,072)	(1,491)
Deferred revenue	7,260	-
Grants payable	-	(82,750)
Net cash flows from operating activities	<u>25,941</u>	<u>(38,499)</u>
Net increase (decrease) in cash and cash equivalents	25,941	(38,499)
Cash and cash equivalents, beginning of year	<u>78,792</u>	<u>117,291</u>
Cash and cash equivalents, end of year	<u>\$ 104,733</u>	<u>\$ 78,792</u>

See Accompanying Notes to Financial Statements.

# COMPAS, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016  
(With Comparative Totals for 2015)

### 1. ORGANIZATION

COMPAS, Inc. (COMPAS) connects professional artists with communities across Minnesota to engage people in the arts. Reaching over 48,000 people of all ages each year through its direct programs, COMPAS provides school children and community members with quality arts experiences, stimulates patient recovery in healthcare facilities, and offers youth meaningful employment through the arts. Recognized for excellence from organizations such as the National Endowment for the Arts (NEA), the Minnesota Department of Education, and the President's Committee on the Arts and Humanities, COMPAS continues to lead the way in creative, art-filled learning. Support and revenue for COMPAS consists primarily of contributions and grants from individuals, foundations, corporations, and governmental agencies, and fees for program services.

COMPAS involves and educates Minnesota students and community members in art creation and appreciation through arts residencies, performances, and workshops in three significant service areas:

***Creative Classroom*** connects artists with K-12 students and teachers in public and private schools. By integrating art and non-art curriculum through hands-on art-making experiences, the personal and educational benefits a student receives extend well beyond the concrete picture, sculpture, song, dance, or other piece of art they create. COMPAS helps young people acquire the critical thinking, problem solving, and social skills they need to succeed in school and in life. A fresh and innovative approach to education, this program extends beyond the classroom, reaching youth in after school programs, libraries, festivals, and recreation centers, plus other community locations.

***Creative Youth*** is a summer employment and pre-employment program for youth ages 13 to 21. Working under the tutelage of a mentoring artist in small cohorts, the apprentice artists are professionally trained in a literary, visual, or performing art form; create original art (often commissioned, public art); and learn employment and career-building skills vital to any workplace.

***Arts in Healthcare and Artful Aging*** bring the arts and art-making directly to pediatric hospitals and senior living centers. People experiencing limited mobility or a difficult, often life-changing situation, receive the joy, fulfillment, and community building that come from the art-creation experience.

(Continued)

# COMPAS, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016  
(With Comparative Totals for 2015)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Financial Statement Presentation** - COMPAS reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets arise from contributions that the donor has stipulated must be maintained in perpetuity. At this time, COMPAS does not have any permanently restricted net assets.

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, COMPAS considers all highly liquid investments purchased with a maturity date of three months or less to be cash equivalents.

**Receivables** - Accounts, contributions and grants receivable are stated at net realizable value. The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Receivables are written off when management determines the receivable will not be collected. As of June 30, 2016 and 2015, management has established an allowance of \$5,000 against accounts receivable. Management has determined that no allowance is necessary for contributions and grants receivable.

(Continued)

# COMPAS, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016  
(With Comparative Totals for 2015)

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

**Furniture and Equipment** - COMPAS capitalizes furniture and equipment at cost or at the estimated fair value if donated. Items costing less than \$1,000 are expensed. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. The cost of maintenance and repairs is expensed as incurred and significant renewals and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives. Absent explicit donor restrictions regarding how long donated assets must be maintained, COMPAS reports expiration of donor restrictions when the donated or acquired assets are placed in service.

**Contributions** - Contributions are recognized when the donor makes an unconditional commitment to give to COMPAS. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Restricted contributions are reported as unrestricted if the related restrictions are met in the same year the contribution is received.

Contributions for general operating purposes that cover a specified time period are recorded as temporarily restricted net assets and released evenly over such time.

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

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

**Government Grants and Contracts** - Government grants and contracts are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as deferred revenue.

(Continued)

# COMPAS, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016  
(With Comparative Totals for 2015)

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

Government grants from the Minnesota State Arts Board are not considered exchange transactions and therefore are accounted for like contributions. Under generally accepted accounting principles, contributions are recognized as revenue when a donor makes an unconditional commitment to give.

All 2016 government grants revenue are from the Minnesota State Arts Board.

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

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

**Income Taxes** - COMPAS is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes, except to the extent it has taxable income that is not related to its tax exempt purpose. COMPAS did not have any unrelated business income in 2016 and 2015. Management believes COMPAS has appropriate support for any tax positions taken, and accordingly, does not have any uncertain tax positions that are material to the financial statements.

Federal and state tax authorities generally have the right to examine the current and three previous years' returns. COMPAS is not currently under examination by any taxing jurisdiction.

**Comparative Total Column** - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2015.

(Continued)

**COMPAS, INC.**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016  
(With Comparative Totals for 2015)

3. **CONTRIBUTIONS AND GRANTS RECEIVABLE**

Contributions and grants receivable are due in 2017.

4. **FURNITURE AND EQUIPMENT**

Furniture and equipment at June 30 consists of the following:

	2016	2015	Estimated useful life - years
Furniture and equipment	\$ 72,523	\$ 72,523	3 - 10
Accumulated depreciation	(64,341)	(59,764)	
	\$ 8,182	\$ 12,759	

5. **NET ASSETS**

**Temporarily Restricted** - Temporarily restricted net assets at June 30 are for the following:

	2016	2015
Purpose:		
Creative Classroom	\$ 56,938	\$ 69,365
Creative Youth	63,568	-
Artful Aging	4,500	-
Bridge mural	14,215	29,000
General operations - time	-	91,000
	\$ 139,221	\$ 189,365

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

Temporarily restricted net assets at June 30, 2016 and 2015, consist of \$49,221 and \$86,536, respectively, in contributions receivable and \$90,000 and \$102,829, respectively, in cash. Temporarily restricted cash has been advanced to meet current obligations.

(Continued)

# COMPAS, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016  
(With Comparative Totals for 2015)

### 6. IN-KIND CONTRIBUTIONS

In-kind contributions of materials and services, primarily used for management and administrative purposes, consist of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Marketing and logo design professional services	\$ -	\$ 81,250
Legal	<u>58,634</u>	<u>12,912</u>
	<u>\$ 58,634</u>	<u>\$ 94,162</u>

### 7. LEASES

COMPAS leases office equipment and space under operating leases. Office equipment leases include a copier lease which requires minimum monthly payments of \$180 expiring in December 2020. The office space lease has a minimum monthly rental commitment of \$1,916 and expires in December 2016.

Office space rent was \$20,260 and \$17,232 for the years ended June 30, 2016 and 2015, respectively.

### 8. CONTINGENCIES

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

### 9. RETIREMENT PLAN

COMPAS has a defined contribution pension plan covering employees who are at least 21 years of age and who have completed one year of service. Under the plan, COMPAS may contribute from 3% to 6% of each participant's annual salary, as determined by the board of directors. No matching contributions were made in 2016 and 2015.

(Continued)

# COMPAS, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016  
(With Comparative Totals for 2015)

### 10. **CONTRIBUTION INTENTION**

COMPAS has received indications of a gift in the form of a \$60,000 life insurance policy payable upon the death of the insured individual which is revocable during the donor's lifetime. Due to the conditional and uncertain nature of this intention, COMPAS has not recognized an asset or contribution revenue.

### 11. **LINE OF CREDIT**

COMPAS has a \$35,000 line of credit from Bremer Bank. The revolving line of credit matures on January 14, 2018. The interest rate is prime plus 0.75%. Secured by assets of COMPAS. No draws have been taken on the line of credit as of June 30, 2016.

### 12. **CONCENTRATIONS**

COMPAS received 22% of its 2016 support and revenue from a governmental entity.

### 13. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 7, 2016, the date on which the financial statements were available for issue, and identified no significant events or transactions to disclose.