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Reports of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

Compass Family Services

June 30, 2023 and 2022



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Report of Independent Auditors

The Board of Directors
Compass Family Services (a California nonprofit public benefit corporation)

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Compass Family Services (“Compass”), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Compass Family Services of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Compass and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – New Accounting Standard

As discussed in Note 2 to the financial statements, Compass Family Services adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, as of July 1, 2022, using the modified retrospective method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Compass Family Services’ ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Compass' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Compass' ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 35 to 38 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and other supplementary information on pages 39 to 68 as required by the *Audit Guides* issued by the California Department of Education (CDE) and California Department of Social Services (CDSS), is also presented for purposes of additional analysis, as required by the California Department of Education and California Department of Social Service Audit Guides, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 January 12, 2024 on our consideration of Compass Family Services' 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 solely 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 the effectiveness of Compass Family Services' 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 Family Services' internal control over financial reporting and compliance.



San Francisco, California

January 12, 2024

Consolidated Financial Statements

Compass Family Services
Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,030,094	\$ 4,307,336
Restricted cash	990,743	3,329,337
Government grants receivable	7,440,514	2,067,647
Contributions receivable, net	1,209,530	1,370,229
Prepaid expenses and other assets	307,927	93,192
Investments	5,491,696	3,841,488
Client funds held in trust	37,667	20,029
	<hr/>	<hr/>
Total current assets	<hr/> <u>18,508,171</u>	<hr/> <u>15,029,258</u>
NONCURRENT ASSETS		
Cash - replacement reserves	426,483	410,910
Investments - replacement reserves	435,035	422,102
Operating reserve	83,823	83,243
NMTC leverage loan receivable	10,434,220	10,434,220
Endowment investments	536,806	505,931
Operating lease right-of-use assets	61,928	-
Property, equipment, and leasehold improvements, net	<u>17,366,836</u>	<u>17,707,683</u>
	<hr/>	<hr/>
Total noncurrent assets	<hr/> <u>29,345,131</u>	<hr/> <u>29,564,089</u>
	<hr/>	<hr/>
Total assets	<hr/> <u>\$ 47,853,302</u>	<hr/> <u>\$ 44,593,347</u>

See accompanying notes.

Compass Family Services
Consolidated Statements of Financial Position (Continued)
June 30, 2023 and 2022

	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,941,316	\$ 1,212,205
Deferred revenue	1,431,542	114,349
Client funds held in trust	37,667	20,029
Loan payable, current portion	14,384	18,926
Operating lease liability, current portion	<u>23,772</u>	-
 Total current liabilities	<u>3,448,681</u>	<u>1,365,509</u>
NONCURRENT LIABILITIES		
Operating lease liability, net of current portion	39,000	-
Notes and loan payable - NMTC, net	<u>14,690,763</u>	<u>14,676,975</u>
 Total noncurrent liabilities	<u>14,729,763</u>	<u>14,676,975</u>
 Total liabilities	<u>18,178,444</u>	<u>16,042,484</u>
NET ASSETS		
Without donor restrictions	24,513,934	23,487,635
With donor restrictions	<u>5,160,924</u>	<u>5,063,228</u>
 Total net assets	<u>29,674,858</u>	<u>28,550,863</u>
 Total liabilities and net assets	<u><u>\$ 47,853,302</u></u>	<u><u>\$ 44,593,347</u></u>

See accompanying notes.

Compass Family Services
Consolidated Statements of Activities and Changes in Net Assets
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	2023 Total
REVENUES, GAINS, AND OTHER SUPPORT			
Government grants	\$ 15,338,821	\$ -	\$ 15,338,821
Contributions	3,095,989	2,844,295	5,940,284
Contributed services	457,192	-	457,192
Special events	332,648	-	332,648
In-kind contributions	687,733	-	687,733
Program service fees	15,289	-	15,289
Interest and investment income, net	172,299	12,541	184,840
Realized and unrealized gain on investments	110,740	26,947	137,687
NMTC leverage loan interest	207,109	-	207,109
Other income	960,037	-	960,037
Net assets released from restriction	<u>2,793,695</u>	<u>(2,793,695)</u>	-
 Total revenues, gains, and other support	 <u>24,171,552</u>	 <u>90,088</u>	 <u>24,261,640</u>
EXPENSES			
Program services:			
Compass Family Shelter	1,226,830	-	1,226,830
Compass Children's Center	3,768,568	-	3,768,568
Compass SF Home	4,438,457	-	4,438,457
Compass Clara House	1,466,619	-	1,466,619
Compass C-RENT	1,258,722	-	1,258,722
Central City Access Point	1,058,136	-	1,058,136
Compass Family Resource Center	817,205	-	817,205
Compass C-WORK	462,596	-	462,596
Compass Childcare Support Services	686,987	-	686,987
Compass 1321 Mission The Margot	329,124	-	329,124
Compass Behavioral Health Services	1,906,066	-	1,906,066
Compass Brief Stays	<u>245,333</u>	<u>-</u>	<u>245,333</u>
 Total program services	 <u>17,664,643</u>	 <u>-</u>	 <u>17,664,643</u>
Support services:			
Management and general	4,207,526	-	4,207,526
Fundraising	<u>1,265,476</u>	<u>-</u>	<u>1,265,476</u>
 Total support services	 <u>5,473,002</u>	 <u>-</u>	 <u>5,473,002</u>
 Total expenses	 <u>23,137,645</u>	 <u>-</u>	 <u>23,137,645</u>
CHANGE IN NET ASSETS			
NET ASSETS, beginning of year	1,033,907	90,088	1,123,995
 NET ASSETS, end of year	 <u>\$ 24,521,542</u>	 <u>\$ 5,153,316</u>	 <u>\$ 29,674,858</u>

See accompanying notes.

Compass Family Services
Consolidated Statements of Activities and Changes in Net Assets (Continued)
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2022 Total
REVENUES, GAINS, AND OTHER SUPPORT			
Government grants	\$ 12,576,072	\$ -	\$ 12,576,072
Contributions	3,488,180	3,878,297	7,366,477
Contributed services	181,954	-	181,954
Special events	681,107	-	681,107
In-kind contributions	596,877	-	596,877
Program service fees	29,452	-	29,452
Interest and investment income, net	66,001	7,741	73,742
Realized and unrealized loss on investments	(466,541)	(95,067)	(561,608)
NMTC leverage loan interest	207,109	-	207,109
Other income	153,454	-	153,454
Gain on forgiveness of the Paycheck Protection Program ("PPP") loan	1,364,972	-	1,364,972
Net assets released from restriction	<u>2,823,834</u>	<u>(2,823,834)</u>	<u>-</u>
 Total revenues, gains, and other support	 <u>21,702,471</u>	 <u>967,137</u>	 <u>22,669,608</u>
EXPENSES			
Program services:			
Compass Family Shelter	1,130,720	-	1,130,720
Compass Children's Center	2,697,421	-	2,697,421
Compass SF Home	3,564,453	-	3,564,453
Compass Clara House	1,420,879	-	1,420,879
Compass C-RENT	985,138	-	985,138
Central City Access Point	1,072,418	-	1,072,418
Compass Family Resource Center	993,974	-	993,974
Compass Childcare Support Services	696,619	-	696,619
Compass 1321 Mission the Margot	57,405	-	57,405
Compass Behavioral Services	<u>1,812,608</u>	<u>-</u>	<u>1,812,608</u>
 Total program services	 <u>14,431,635</u>	 <u>-</u>	 <u>14,431,635</u>
Support services:			
Management and general	2,780,756	-	2,780,756
Fundraising	<u>1,478,110</u>	<u>-</u>	<u>1,478,110</u>
 Total support services	 <u>4,258,866</u>	 <u>-</u>	 <u>4,258,866</u>
 Total expenses	 <u>18,690,501</u>	 <u>-</u>	 <u>18,690,501</u>
CHANGE IN NET ASSETS			
 NET ASSETS, beginning of year	 <u>20,475,665</u>	 <u>4,096,091</u>	 <u>24,571,756</u>
 NET ASSETS, end of year	 <u>\$ 23,487,635</u>	 <u>\$ 5,063,228</u>	 <u>\$ 28,550,863</u>

See accompanying notes.

Compass Family Services
Consolidated Statements of Functional Expenses
Year Ended June 30, 2023

	Program Services											Support Services				
	Compass Family Shelter	Compass Children's Center	Compass SF Home	Compass Clara House	Compass C-RENT	Central City Access Point	Compass Family Resource Center	Compass C-WORK	Compass Childcare Support Services	Compass 1321 Mission The Margot	Compass Behavioral Health Services	Compass Brief Stays	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 529,164	\$ 2,079,864	\$ 1,173,953	\$ 775,367	\$ 359,070	\$ 457,286	\$ 503,241	\$ 258,597	\$ 415,442	\$ 204,863	\$ 1,204,322	\$ 46,635	\$ 8,007,804	\$ 1,520,922	\$ 685,704	\$ 10,214,430
Employee benefits	149,250	663,727	299,289	223,720	98,565	126,269	138,025	73,158	116,102	57,083	349,171	13,916	2,308,275	413,931	163,546	2,885,752
Professional fees	19,350	262,197	52,091	27,247	13,148	16,078	20,187	10,413	15,950	5,080	83,874	295	525,910	1,070,899	17,261	1,614,070
Housing assistance	3,662	-	2,046,016	-	683,059	191,886	-	-	19,670	-	9,200	166,375	3,119,868	-	-	3,119,868
Client assistance - other	311,591	180,297	698,676	125,910	49,108	171,340	74,921	68,101	59,028	34,078	133,942	7,359	1,914,351	-	-	1,914,351
Rent and occupancy	57,836	129,710	26,756	100,437	17,635	19,139	21,217	12,905	18,998	244	39,622	-	444,499	23,265	16,538	484,302
Contributed services	-	-	24,070	-	-	-	-	-	-	-	-	-	24,070	433,122	-	457,192
Office supplies	3,558	3,569	5,644	1,855	2,210	3,707	3,194	1,956	939	259	2,189	1,078	30,158	3,215	1,052	34,425
Program expenses	48,226	196,795	9,950	63,031	4,745	5,589	10,807	6,661	5,261	12,755	11,403	-	375,223	713	13,762	389,698
Telephone	12,882	25,601	14,471	21,100	5,840	6,433	6,753	4,248	6,000	2,158	14,650	527	120,663	18,043	9,022	147,728
Licenses and fees - technology	7,554	22,382	13,574	8,994	4,942	32,247	15,194	8,989	6,757	2,416	11,497	177	134,723	35,998	15,952	186,673
Licenses and fees - other	1,618	10,517	2,180	5,991	805	939	1,401	730	939	401	2,020	47	27,588	112,464	27,653	167,705
Insurance	7,402	22,153	12,004	8,845	4,627	5,400	7,432	4,280	5,400	2,307	11,256	-	91,106	19,818	6,934	117,858
Equipment maintenance	7,310	7,184	28,477	3,206	6,345	15,312	8,035	4,900	12,246	5,750	12,769	5,821	117,355	37,262	4,875	159,492
Printing	214	1,656	268	125	66	153	118	115	77	33	161	-	2,986	283	7,514	10,783
Travel, training, and hiring	7,059	4,079	19,475	1,589	3,330	578	1,165	4,383	569	468	7,837	2,209	52,741	7,292	5,075	65,108
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	241,960	-	241,960
Miscellaneous	10,059	16,674	9,586	10,688	4,834	5,331	5,343	2,645	3,210	1,001	11,316	725	81,412	3,006	35,012	119,430
Special events	-	-	1,405	-	-	-	-	-	-	-	-	-	1,405	-	239,160	240,565
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	50,095	140,758	1,977	88,514	393	449	172	515	399	228	837	169	284,506	265,333	16,416	566,255
	\$ 1,226,830	\$ 3,768,568	\$ 4,438,457	\$ 1,466,619	\$ 1,258,722	\$ 1,058,136	\$ 817,205	\$ 462,596	\$ 686,987	\$ 329,124	\$ 1,906,066	\$ 245,333	\$ 17,664,643	\$ 4,207,526	\$ 1,265,476	\$ 23,137,645

See accompanying notes.

Compass Family Services
Consolidated Statements of Functional Expenses (Continued)
Year Ended June 30, 2022

	Program Services							Support Services						
	Compass Family Shelter	Compass Children's Center	Compass SF Home	Compass Clara House	Compass C-RENT	Central City Access Point	Compass Family Resource Center	Compass Childcare Support Services	Compass 1321 Mission The Margot	Compass Behavioral Health Services	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 490,357	\$ 1,406,280	\$ 867,882	\$ 669,665	\$ 236,324	\$ 542,663	\$ 524,667	\$ 438,717	\$ 26,114	\$ 1,144,145	\$ 6,346,814	\$ 1,063,055	\$ 530,853	\$ 7,940,722
Employee benefits	145,723	446,829	269,088	240,280	70,567	134,783	150,309	133,843	15,011	286,445	1,892,878	226,447	121,378	2,240,703
Professional fees	21,946	168,783	43,898	45,096	9,201	22,777	23,715	16,440	-	82,388	434,244	551,044	13,269	998,557
Housing assistance	-	-	1,864,529	-	470,260	130,587	-	-	-	3,000	2,468,376	-	-	2,468,376
Client assistance - other	267,127	195,390	357,379	133,447	159,114	155,591	150,681	59,236	278	158,484	1,636,727	1,098	312	1,638,137
Rent and occupancy	65,037	94,776	37,049	117,429	10,798	24,884	24,973	16,952	-	39,128	431,026	19,083	14,963	465,072
Contributed services	-	-	-	-	-	-	-	-	-	-	-	181,954	-	181,954
Office supplies	2,370	3,277	3,535	3,014	704	4,842	4,540	1,157	453	2,426	26,318	3,445	949	30,712
Program expenses	27,332	138,812	800	54,571	148	858	19,452	216	6,869	3,920	252,978	64	11,386	264,428
Telephone	11,711	24,793	14,861	21,540	4,210	9,070	6,754	5,480	120	17,315	115,854	10,616	6,588	133,058
Licenses and fees - technology	10,132	13,026	18,834	7,386	2,807	17,821	21,541	10,684	-	21,377	123,608	32,027	20,018	175,653
Licenses and fees - other	3,344	11,449	3,790	5,794	859	1,960	2,144	1,504	109	5,402	36,355	124,474	37,571	198,400
Insurance	7,049	22,440	10,171	16,129	1,995	10,998	6,164	6,006	-	12,998	93,950	23,518	4,360	121,828
Equipment maintenance	20,073	12,483	52,278	10,765	14,740	12,936	33,084	4,238	8,451	21,751	190,799	15,134	11,131	217,064
Printing	475	1,640	766	483	225	400	666	267	-	1,642	6,564	8,125	13,386	28,075
Travel, training, and hiring	3,759	2,168	11,176	3,046	2,535	925	2,473	1,019	-	8,970	36,071	7,816	1,467	45,354
Interest expense	-	-	-	-	-	-	-	-	-	-	-	210,126	-	210,126
Miscellaneous	2,821	19,558	7,899	6,101	651	758	22,628	594	-	2,974	63,984	22,421	24,594	110,999
Special events	-	-	-	-	-	-	-	-	-	-	-	49	250,463	250,512
Bad debt expense	-	1,949	-	-	-	-	-	-	-	-	1,949	40,545	399,233	441,727
Depreciation and amortization	51,464	133,768	518	86,133	-	565	183	266	-	243	273,140	239,715	16,189	529,044
	\$ 1,130,720	\$ 2,697,421	\$ 3,564,453	\$ 1,420,879	\$ 985,138	\$ 1,072,418	\$ 993,974	\$ 696,619	\$ 57,405	\$ 1,812,608	\$ 14,431,635	\$ 2,780,756	\$ 1,478,110	\$ 18,690,501

See accompanying notes.

Compass Family Services
Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,123,995	\$ 3,979,107
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	566,254	529,044
Net realized and unrealized losses on investments	(137,687)	561,608
Bad debt expense	-	441,727
Gain on forgiveness of PPP loan	-	(1,364,972)
Changes in operating assets and liabilities:		
Government grants receivable	(5,372,867)	(13,973)
Contributions receivable	160,699	(648,624)
Prepaid expenses and other assets	(214,735)	79,549
Clients funds held in trust, net	-	-
Accounts payable and accrued expenses	729,111	277,094
Operating lease liability	(23,128)	
Deferred revenue	1,317,193	(111,143)
Net cash (used in) provided by operating activities	<u>(1,851,165)</u>	<u>3,729,417</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in operating reserves	(580)	(36)
Purchases of property, equipment, and leasehold improvements	(187,647)	(144,085)
Proceeds from the sale of investments	41,430	1,343,555
Purchases of investments	(1,597,759)	(5,110,849)
Net cash used in investing activities	<u>(1,744,556)</u>	<u>(3,911,415)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on loans payable	<u>(4,542)</u>	<u>(4,543)</u>
Net cash used in financing activities	<u>(4,542)</u>	<u>(4,543)</u>
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
	(3,600,263)	(186,541)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	<u>8,047,583</u>	<u>8,234,124</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	<u>\$ 4,447,320</u>	<u>\$ 8,047,583</u>

See accompanying notes.

Compass Family Services
Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
CONSISTED OF THE FOLLOWING		
Cash and cash equivalents	\$ 3,030,094	\$ 4,307,336
Restricted cash	990,743	3,329,337
Cash reserves	<u>426,483</u>	<u>410,910</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 4,447,320</u>	<u>\$ 8,047,583</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for interest	\$ 241,960	\$ 210,126
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND		
FINANCING ACTIVITY		
Operating right-of-use asset in exchange for		
operating lease liability	\$ 85,900	\$ -
Gain on forgiveness of PPP loan	\$ -	\$ (1,364,972)

See accompanying notes.

Compass Family Services

Notes to Consolidated Financial Statements

Note 1 – Nature of Operations

Compass Family Services (“Compass”) began in 1914 as Travelers Aid San Francisco and was established to help newcomers to San Francisco. Over the past 109 years, the mission evolved to what it is today – helping San Francisco families that are homeless or at risk of homelessness to achieve housing stability, economic self-sufficiency and well-being. Each year, we help more than 6,500 parents and children in need.

The description of each of Compass’ programs is summarized as follows:

Compass Family Shelter – offers families facing homelessness a safe, temporary place to stay, and offers services designed to help families to secure and maintain permanent housing.

Compass Children’s Center – a nationally accredited enriched early childhood education center with a curriculum focused on the social and emotional development for children ages 0–5 years that are from homeless and extremely low-income families.

Compass Clara House – an 18–24-month transitional housing program where families live in private apartments and receive intensive wrap-around support.

Compass SF HOME – promotes long-term housing stability through housing search assistance, rental subsidies, and case management.

Compass Behavioral Health Services – offers confidential emotional support and therapy for families who are experiencing homelessness, at risk of homelessness, newly housed, or engaged in any Compass program.

Central City Access Point – entry point for families experiencing or at risk of homelessness. Provides problem solving, assessment of eligibility for shelter and housing programs, and placement into available shelter and housing.

Compass Family Resource Center – offers a comprehensive set of trauma-informed services that support family well-being, including support groups, housing search and workforce development.

C-WORK – Provides workforce development support including a dedicated training pathway for careers in Early Childhood Education, along with general workforce readiness and training referrals.

Compass Childcare Support Services – helps parents access early care and education programs for their children.

C-RENT – Provides homelessness prevention support by paying back rent and move-in costs for eligible clients as well as providing housing search support.

Compass Permanent Supportive Housing at the Margot (Compass 1321 Mission The Margot) – Provides supportive services and onsite children’s programming for families housed at the Margot.

Compass Family Services **Notes to Consolidated Financial Statements**

Compass Brief Stays – Provides short-term hotel stays to families when shelter is not available or not an option.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting and financial statement presentation – The consolidated financial statements of Compass have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) applicable to nonprofit organizations. Accordingly, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions – Net assets not subject to donor-imposed stipulations. At June 30, 2023 and 2022, there were no board designated net assets.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Compass and/or the passage of time or held in perpetuity by donor-imposed stipulations, for which the income from these contributions is available to support the activities of Compass as designated by the donor.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Investment income and gains or losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Principles of consolidation – In 2018, Compass Family Services established Compass QALICB (“QALICB”) as a not-for-profit organization for the purpose of obtaining funding through the New Market Tax Credit (“NMTC”) program, a program of the Community Development Financial Institutions Fund, a division of the U.S. Department of Treasury. The consolidated financial statements reflect the accounts of Compass Family Services and Compass QALICB, collectively “Compass.” All inter-entity transactions and balances have been eliminated.

Use of estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

Revenue recognition – Contributions received are reported as net assets without donor restrictions or net assets with donor restrictions, depending on donor restrictions (if any).

Compass Family Services **Notes to Consolidated Financial Statements**

Contributions and unconditional grants are recognized as support and revenues when they are received or unconditionally pledged. These contributions are shown as restricted support and revenues if they are subject to time or donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions when a stipulated time restriction ends, purpose restriction is accomplished, or both.

Grant arrangements have been evaluated and determined to be nonreciprocal, meaning the granting entity has not received a direct benefit in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution – when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with the grant are determined to be allowable and all other significant conditions of the grant are met.

Contributed services are stated at their estimated fair value if they are ordinarily purchased and are of a specialized nature.

Special event revenue is recorded as deferred revenue until the month of the event.

Donations to Compass' Adopt-A-Family program are considered contributions because Compass has discretion over which families receive the contribution. The Adopt-A-Family program generated approximately \$383,828 and \$353,760 in gifts contributed to families during the years ended June 30, 2023 and 2022, and is recognized in the consolidated financial statements of activities and changes in net assets as contributions and expenses.

Gains and losses on investments of endowment funds created by a board designation of undesignated funds are classified as changes in net assets without donor restrictions. In the absence of donor stipulations or law to the contrary, gains and losses on the investments of a donor restricted endowment fund are included in net assets with donor restrictions. Investment income and gains and losses on investments are reported net of expenses.

Gain on forgiveness of Paycheck protection program loan (“PPP”) – In April 2020, Compass was granted an unsecured loan under the PPP offered by the U.S Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), Section 7(a)(36) of the Small Business Act for \$1,364,972. The loan bore interest at 1% with no payments due for the first six months and the loan matured in April 2022. The loan was subject to partial or full forgiveness if Compass used all proceeds for eligible purposes; maintained certain employment levels; and maintained certain compensation levels in accordance with and subject to the CARES Act and the rules, regulations and guidance. It is Compass' policy to account for this loan in accordance with ASC 470, *Debt*, with interest accrued and expensed over the term of the loan, or until forgiveness was granted, releasing Compass from being the primary obligor. In August 2021, the SBA granted full forgiveness of Compass' PPP loan of \$1,364,972. As a result, Compass was released from being the primary obligor and the promissory note is considered paid in full, along with any accrued interest. The gain on forgiveness of the PPP loan was recognized in the consolidated statements of activities and changes in net assets as of June 30, 2022.

Compass Family Services **Notes to Consolidated Financial Statements**

Donated services and in-kind contributions – Compass receives goods and services, which are donated for carrying out its mission. Contributed goods are recorded at fair value at the date of donation. Donated services are recorded at the respective fair values of the services received in the consolidated statement of activities and changes in net assets.

Cash and cash equivalents – Cash is defined as cash in demand deposit accounts as well as cash on hand. Compass does not include as cash funds that are restricted as to their use, regardless of liquidity, such as resident deposits, replacement reserves and operating reserves.

Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash. Generally, money market accounts and investments with original maturities of three months or less qualify as cash equivalents.

Restricted cash – Restricted cash consists of cash restricted for programs and is deposited into a separate cash account. Amounts are periodically transferred to the unrestricted cash account based upon allowable program expenditures. Restricted cash also consists cash restricted for other operational purposes and for QALICB in the amount of \$201,225 and \$270,515 at June 30, 2023 and 2022, respectively.

Concentration of risk – Financial instruments that potentially subject Compass to concentrations of credit risk consist principally of uninsured cash balances.

Compass maintains cash balances and investment accounts at various financial institutions, which are Federal Deposit Insurance Corporation (“FDIC”) and Securities Investor Protection Corporation (“SIPC”) insured up to the limits allowed by law. At times such balances may exceed the insurance limit. The Organization has not experienced any losses in such accounts, and management believes Compass is not exposed to any significant credit risk related to cash and investments.

Receivables – Receivables are stated at the amount management expects to collect from outstanding balances. Unconditional contributions receivable are reported at fair value and recorded in the period received. Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved and the period of time over which the contributions are expected to be collected. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. There were no discounts recorded at June 30, 2023 and 2022.

An allowance for doubtful accounts is provided based upon management's judgment, past experiences and other circumstances. Account balances are charged off against the allowance for doubtful accounts after all means of collection have been exhausted and the potential for recovery is considered remote. At June 30, 2023, the allowance for doubtful accounts totaled \$167,119. At June 30, 2022, the allowance for doubtful accounts totaled \$275,000.

At June 30, 2023 and 2022, management expects all government grants receivable and contributions receivable to be collectible within one year.

Compass Family Services Notes to Consolidated Financial Statements

Client funds held in trusts – Certain cash accounts are maintained for clients. Compass holds these client funds in trust in separate bank accounts. A corresponding liability is included in the consolidated statements of financial position to reflect these assets are held in trust for clients.

Fair value measurements – U.S. GAAP establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of Compass. Unobservable inputs, if any, reflects Compass' assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that Compass has the ability to access at measurement date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on significant inputs that are observable, either directly or indirectly, or quoted prices in markets that are not active, that is, markets in which there are few transactions, the prices are not current, or price quotations vary substantially either over time or among market makers.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed.

Property, equipment, and leasehold improvements – Property and equipment valued in excess of \$5,000 are stated at cost of acquisition or fair value if donated. Leasehold improvements are stated at cost of construction. The cost of maintenance and repairs is charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Building and improvements	15–40 years
Leasehold improvements	20 years or life of lease*

Compass Family Services Notes to Consolidated Financial Statements

Furniture and equipment	5 years
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* Whichever is shorter

Impairment of long-lived assets – The long-lived assets are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of that asset. Whenever any such impairment exists, an impairment loss will be recognized for the amount by which the carry value exceeds the fair value. There was no impairment of long-lived assets for the years ended June 30, 2023 and 2022.

Satisfaction of restrictions on long-lived assets – Contributions received for the acquisition of long-lived assets where the donor explicitly imposes stipulations on the use of the long-lived assets are recognized as net assets with donor restrictions. The donor-imposed restrictions are released over the restriction period.

When the donor does not explicitly impose stipulations on the use of long-lived assets, the placed-in-service approach is used, and the contribution is recognized as net assets without donor restrictions.

Debt issuance costs – Compass has capitalized the related costs incurred in connection with its debt offerings which consisted primarily of underwriter's costs, letter of credit fees and costs, trustee and tender agent fees, attorney's fees and other miscellaneous costs of delivery. These costs are recorded net of the related debt and amortized using the straight-line method, equal to the terms of the related debt.

Functional expense allocation – The costs of providing various programs and supporting activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

At June 30, 2023 and 2022, QALICB expenses of \$545,163 and \$525,312, respectively, were included in management and general expenses in the consolidated statements of functional expenses.

Direct identification of specific expenses is Compass' preferable method of charging expenses to various functions. Compass has a number of expenses which relate to more than one program or supporting services, or to a combination of programs and supporting services. Expenses are allocated using an allocation methodology based on estimates of employees' time incurred and on usage of resources.

Income taxes – Compass is a qualified organization exempt from Federal income and California franchise taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and 23701d of the California Revenue and Taxation Code, respectively. Compass recognizes the effect of income tax positions only if those positions are more likely than not of being sustained and changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Compass has evaluated its current tax positions and has concluded that as of June 30, 2023 and 2022, it does not have any significant tax positions for which a reserve would be necessary.

Compass Family Services Notes to Consolidated Financial Statements

Compensated absences – Eligible employees can accrue personal leave credits (accrued vacation) every month but the total accrual cannot exceed 270 work hours. The amount of accrued vacation as of June 30, 2023 and 2022 was \$583,265 and \$501,958, respectively, and is included in accounts payable and accrued expenses in the consolidated statements of financial position.

Reclassifications – Certain accounts in the prior-year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year consolidated financial statements. These reclassifications did not have an impact on net asset amounts.

New accounting pronouncements – In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-03, Credit Losses – Measurement of Credit Losses on Financial Instruments. This ASU requires organizations to use a forward-looking approach based on current expected credit losses (“CECL”) to estimate credit losses on certain types of financial instruments, including trade receivables. This may result in the earlier recognition of allowances for losses. This ASU is effective for Compass beginning July 1, 2023, and early adoption is permitted. The Compass does not believe the potential impact of the new guidance and related codification improvements will be material to its consolidated financial statements.

Recently adopted accounting pronouncements – In February 2016, the FASB issued Accounting ASU 2016-02, Leases (Topic 842) (“ASU 2016-02”), which increases transparency and comparability among entities by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements in the financial statements of lessees. The effective date of ASU 2016-02 for the Organization was deferred by ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities (“ASU 2020-05”), to fiscal years beginning after December 15, 2021. The Organization adopted this ASU as of July 1, 2022, using the modified retrospective approach. In addition, the standard allows for certain practical expedients in transition to ASC Topic 842, Leases, including the package of practical expedients. The Organization elected to utilize the package of practical expedients, which allowed the Organization to not reassess the following: (i) whether any expired or existing contracts contained leases; (ii) the lease classification for any expired or existing leases; and (iii) the treatment of initial indirect costs for any existing leases.

The adoption of ASC Topic 842 resulted in the recognition of operating lease right-of-use assets of \$85,900 and operating lease liabilities of \$85,900 as of July 1, 2022. Compass will amortize the operating lease right-of-use assets over the respective lease terms accordingly. The operating lease expenses are included in rent and occupancy expenses in Compass’ consolidated statements of functional expenses. The adoption did not impact beginning net assets, or prior year statement of activities and changes in net assets and statements of cash flows as Compass elected the practical expedient that allows comparative financial statements under ASC Topic 840, Leases. The Organization included the disclosures required by ASC 842 in Note 15.

Compass Family Services
Notes to Consolidated Financial Statements

Note 3 – Restricted Deposits

Replacement reserve – Compass is required to maintain a reserve for replacement and repair of property and equipment of Compass Clara House in accordance with a grant agreement. The reserve is required to be funded in the annual amount of \$9,481 and \$9,504 for the years ended June 30, 2023 and 2022, respectively, for a total amount of approximately \$247,104. At June 30, 2023 and 2022, the excess reserve of \$167,091 and \$163,806, respectively, is held in the Compass Clara House reserve account, based on management's discretion.

Compass' established a reserve for replacement and repair of property and equipment for the Compass Children's Center building. There are no additional external funding requirements. At June 30, 2023 and 2022, \$435,035 and \$422,102, respectively, of the reserve balance is included within total investments.

Changes in the replacement reserve accounts are as follows for the years ended June 30, 2023 and 2022:

	2023		
	Compass Clara House	Compass Children's Center	Total
Balance, beginning of year	\$ 410,910	\$ 422,102	\$ 833,012
Deposits	3,380	9,688	13,068
Dividend/interest received, net of bank fees	(95)	-	(95)
Realized/unrealized gain	-	15,533	15,533
 Balance, end of year	 <u>\$ 414,195</u>	 <u>\$ 447,323</u>	 <u>\$ 861,518</u>
	2022		
	Compass Clara House	Compass Children's Center	Total
Balance, beginning of year	\$ 361,243	\$ 26,692	\$ 387,935
Deposits	49,504	464,832	514,336
Dividend/interest received, net of bank fees	163	7,951	8,114
Realized/unrealized loss	-	(77,373)	(77,373)
 Balance, end of year	 <u>\$ 410,910</u>	 <u>\$ 422,102</u>	 <u>\$ 833,012</u>

Operating reserve – Compass is required to maintain an operating reserve for Compass Clara House in accordance with grant requirements. The reserve must be funded in an annual amount equal to 4% of annual operating expenses. Further reserve deposits are not required if the balance in the reserve exceeds \$83,000.

Compass Family Services
Notes to Consolidated Financial Statements

In accordance with provisions of the agreements and management's discretion, restricted cash is held in separate bank accounts.

Changes in the operating reserve accounts are as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 83,243	\$ 83,207
Dividend/interest received	580	36
Balance, end of year	<u>\$ 83,823</u>	<u>\$ 83,243</u>

Note 4 – Contributions Receivable

Contributions receivable consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Receivable in one year or less	<u>\$ 1,209,530</u>	<u>\$ 1,370,229</u>

Unconditional promises to give, which are not expected to be collected until after the year promised, are reflected in the accompanying consolidated financial statements as contributions receivable and revenue in the appropriate net asset category.

Note 5 – Property and Equipment, Net

Property and equipment, net consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Nondepreciable:		
Land	\$ 6,288,000	\$ 6,288,000
Construction in progress	-	42,588
Depreciable:		
Building	14,318,053	14,318,053
Building improvements	1,221,981	1,019,744
Furniture and equipment	856,891	850,454
Leasehold improvements	<u>1,000,220</u>	<u>1,000,220</u>
Total property, equipment, and leasehold improvements	23,685,145	23,519,059
Less: accumulated depreciation	<u>(6,318,309)</u>	<u>(5,811,376)</u>
Total property, equipment, and leasehold improvements, net	<u>\$ 17,366,836</u>	<u>\$ 17,707,683</u>

Depreciation expenses for the years ended June 30, 2023 and 2022 was \$528,494 and \$515,255.

Compass Family Services
Notes to Consolidated Financial Statements

Note 6 – Investments

Investments and endowment investments consist of the following at June 30:

	2023	2022
Equity securities	\$ 5,625	\$ 12,965
Bond mutual funds	3,137,365	3,067,691
Exchange traded funds	951,914	873,588
Equity mutual funds	885,252	815,277
Fixed income	<u>1,483,381</u>	<u> </u>
	<u>\$ 6,463,537</u>	<u>\$ 4,769,521</u>

The following tables set forth by level, within the fair value hierarchy, the Compass's assets at fair value as of June 30, 2023 and 2022:

	2023			
	Level 1	Level 2	Level 3	Fair Value
Equity securities	\$ 5,625	\$ -	\$ -	\$ 5,625
Bond mutual funds	3,137,365	-	-	3,137,365
Exchange traded funds	951,914	-	-	951,914
Equity mutual funds	885,252	-	-	885,252
Fixed income	<u>1,483,381</u>	<u>-</u>	<u>-</u>	<u>1,483,381</u>
	<u>\$ 6,463,537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,463,537</u>

	2022			
	Level 1	Level 2	Level 3	Fair Value
Equity securities	\$ 12,965	\$ -	\$ -	\$ 12,965
Bond mutual funds	3,067,691	-	-	3,067,691
Exchange traded funds	873,588	-	-	873,588
Equity mutual funds	815,277	-	-	815,277
	<u>\$ 4,769,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,769,521</u>

Note 7 – Line of Credit

In September 2022, Compass had a \$800,000 revolving line of credit and with an interest rate of 5.50% per annum. The line of credit was secured by all property owned by Compass and matured on April 10, 2023. Compass did not renew the line of credit when it matured on April 10, 2023. There was no outstanding balance on the line of credit at June 30, 2022.

Compass Family Services

Notes to Consolidated Financial Statements

Note 8 – New Market Tax Credits

In June 2018, Compass arranged NMTC financing as partial funding to acquire and rehabilitate the facility located at 37 Grove Street, San Francisco, California. NMTC is a program of the Community Development Financial Institutions Fund (“CDFI”), a division of the U.S. Department of the Treasury. Under the NMTC program, banks and other qualifying institutions make “qualified equity investments” (“QEI”) in Community Development Entities that have been certified and granted allocations by the CDFI of federal income tax credits. The funds provided by these investors are used as a means of providing favorable debt or equity financing to qualified borrowers in connection with qualifying projects located in low-income communities. The QEI cannot be redeemed for a minimum term of seven years (“Compliance Period”) during which time substantially all of the QEI must be invested in qualified low income community investments, the majority of which take the form of investments in borrowers that must maintain their status as a “qualified active low income business” as specified in the Treasury Regulations.

The NMTC financing closed on June 28, 2018, and proceeds from the financing were deposited into an escrow account. On August 31, 2018, Compass closed on the purchase of 37 Grove Street at a purchase price of \$9,500,000. The 37 Grove Street property is held by Compass QALICB and leased to Compass Family Services. In connection with the purchase and rehabilitation of 37 Grove Street (“37 Grove”), LCD New Markets Fund XXVI, LLC Community Development Entity (“LCD CDE”), a single purpose Community Development Entity certified by the CDFI, made a senior Qualified Low Income Community Investment (“QLICI”) loan in the amount of \$9,437,320 (“Loan A1”) and a subordinate loan in the amount of \$4,194,680 (“Loan B1”) and Chase New Markets Corporation Community Development Entity (“CNMC CDE”), a single purpose Community Development Entity certified by the CDFI, made a senior loan in the amount of \$996,900 (“Loan A2”) and a subordinate loan in the amount of \$503,100 (“Loan B2”) to Compass QALICB. All loans are secured by trust deeds on the 37 Grove Street property and are payable interest only for the compliance period, after which each amortizes in level payments over the balance of its thirty-seven-year term.

Funding for the 37 Grove loans was provided by a \$15,700,000 QEI made by Chase NMTC Compass Investment Fund, LLC (“Investment Fund”) to LCD CDE and CNMC CDE. Investment Fund obtained the funds to make the QEI via \$10,434,220 in secured loans by Compass Family Services and funding provided via a net equity investment in the amount of \$2,417,069. A portion of the proceeds of the loans were used to acquire the 37 Grove Street property which closed in August 2018. The remaining balance of the funds was used to renovate and improve the property.

At the end of the seven-year Compliance period, the tax credit investor, Chase NMTC, may sell its interest in the Investment Fund to Compass QALICB through a put/call agreement for \$1,000. As the sole owner of the Investment Fund, Compass QALICB can direct the Community Development Entities to liquidate and distribute their QLICI loans to the Investment Fund, and as owner of the Investment Fund, Compass QALICB can elect to forgive Loan B1 and Loan B2, which corresponds to the NMTC Tax Credit equity provided by Chase NMTC.

Compass Family Services **Notes to Consolidated Financial Statements**

Under the NMTC program, taxpayers receive a 39% tax credit on QEIs that are made in a Community Development Entity. In Revenue Ruling 2003-20, the Internal Revenue Service ruled that a taxpayer is permitted to borrow money to make an investment in a Community Development Entity. Compass Family Services, serving as the Leverage Lender, loaned \$10,434,220 to Investment Fund. The loan proceeds were combined with \$5,265,780 contributed to the Investment Fund by an equity investor and permitted Investment Fund to make an aggregate QEI of \$15,700,000. The loan bears an interest rate of 1.98%, with payments starting on June 28, 2025 and maturing on June 28, 2053.

In accordance with the Indemnification Agreement, in the event of a Specified NMTC Recapture Event, Compass Family Services and Compass QALICB are liable to pay the NMTC Recapture Amount, as specified in the Indemnification Agreement. A Specified NMTC Recapture Event means a recapture or disallowance of any tax credits attributable to a QEI made by the Investment Fund, as a result of various occurrences, and failure to Compass QALICB to satisfy specified compliance requirements.

Note 9 – Notes Payable – NMTC, Net

Compass entered into an agreement with a qualified CDE to borrow \$15,132,000, secured by Compass' real property in San Francisco, California. The borrowing is comprised of four notes, QLICI Loan A1, QLICI Loan B1, QLICI Loan A2, and QLICI Loan B2, which bear interest at 1.37% per annum. Interest only payments are made on a quarterly basis through September 2025, at which point in time interest and principal payments will commence with full repayment of the notes payable in June 2055.

At June 30, notes payable – NMTC, net are detailed as follows:

	2023	2022
QLICI Loan A1	\$ 9,437,320	\$ 9,437,320
QLICI Loan B1	4,194,680	4,194,680
QLICI Loan A2	996,900	996,900
QLICI Loan B2	<u>503,100</u>	<u>503,100</u>
	15,132,000	15,132,000
Less: unamortized debt issuance costs	<u>(441,237)</u>	<u>(455,025)</u>
	<u>\$ 14,690,763</u>	<u>\$ 14,676,975</u>

Compass Family Services **Notes to Consolidated Financial Statements**

Future maturities of the loan payable at June 30, 2023 are as follows:

Years Ending June 30.

2024	\$ -
2025	2,492,807
2026	342,936
2027	347,669
2028	352,469
2029–2033	1,836,682
2034–2038	1,966,997
2039–2043	2,106,558
2044–2048	2,256,022
2049–2053	2,416,089
2054–2055	<u>1,013,771</u>
	<u><u>\$ 15,132,000</u></u>

Note 10 – Loans Payable

PG&E Retrofit loan – Compass entered into the Energy Efficiency Retrofit Loan Program with Pacific Gas and Electric Company (“PG&E”). The loans are issued under the program are interest-free, unsecured loans to reimburse PG&E customers for the cost they incur in connection with a qualified retrofit project.

At June 30, loans payable are detailed as follows:

	<u>2023</u>	<u>2022</u>
PG&E Retrofit loan payable	\$ 14,384	\$ 18,926
	<u><u>\$ 14,384</u></u>	<u><u>\$ 18,926</u></u>

The future maturity of the loan payable are as follows:

Year Ending June 30.

2024	<u><u>\$ 14,384</u></u>
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Compass Family Services
Notes to Consolidated Financial Statements

Note 11 – Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30:

	2023	2022
Compass Family Shelter	\$ 64,610	\$ 12,510
Compass Children's Center	1,110,190	1,237,152
Compass SF Home	4,152	212,085
Compass Clara House	260,000	-
Compass C-RENT	530,528	35,724
Central City Access Point	25,030	30,538
Compass Family Resource Center	312,073	332,398
Compass Childcare Support Services	2,700	2,700
Compass Behavioral Health Services	268,197	646,407
Cross-program support	795,984	868,410
Administration	112,597	-
Building - Compass Clara House	865,338	909,374
Building - Compass Children's Center	256,500	270,000
Donor-restricted endowment funds corpus	83,750	83,750
Unappropriated endowment earnings	469,275	422,181
	<hr/> <u>\$ 5,160,924</u>	<hr/> <u>\$ 5,063,229</u>

Net assets with donor restrictions released from restriction during June 30 were as follows:

	2023	2022
Compass Family Shelter	\$ -	\$ 25,232
Compass Children's Center	930,574	540,377
Compass Clara House	222,585	102,696
Compass SF Home	124,598	7,730
Compass C-RENT	108,533	260,229
Compass Behavioral Health Services	445,281	594,397
Central City Access Point	5,509	2,375
Compass Family Resource Center	84,251	201,212
Compass Childcare Support Services	-	5,935
Cross-program support	717,002	1,026,115
Administration	97,826	-
Building - Compass Clara House	44,036	44,036
Building - Compass Children's Center	13,500	13,500
	<hr/> <u>\$ 2,793,695</u>	<hr/> <u>\$ 2,823,834</u>

All net assets with donor restrictions for program services, except for endowment corpus and related earnings, are expected to be released from restrictions in the next one to two years.

Compass Family Services

Notes to Consolidated Financial Statements

Note 12 – Endowment Funds

Compass' endowment consists of three individual funds, established for the purpose of providing a perpetual endowment for Compass. As required by the U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The board of directors of Compass has interpreted the California enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gifts as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Compass classifies as net assets with donor restrictions (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Amounts are classified as net assets with donor restrictions until Compass' board of directors appropriates amounts for expenditure and any purpose restrictions have been met, in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Compass considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Compass to retain as a fund of perpetual duration. At June 30, 2023 and 2022, there were no such deficiencies.

Compass Family Services

Notes to Consolidated Financial Statements

Return objectives and risk parameters – The Endowment Account is intended to accumulate as much principal as possible, with the eventual goal of helping to support Compass' on-going operations while leaving the accumulated principal intact. Given this objective, investments assume a moderate degree of risk with diversification among different asset classes as a means of reducing risk. The Endowment Account can and will tolerate some variability in market value and rates of return in order to achieve a greater long-term rate of return. A long-term approach is taken to the management of the investment portfolio, but this does not mean the portfolio should be exposed to levels of volatility that might adversely affect the value of the Account's assets.

Strategies employed for achieving objectives – To meet the return objectives and risk parameters, guidelines for the management of the Endowment Account have been established.

Asset allocation ranges are set for the various asset classes: stocks and stock funds (18 to 36%), bonds and bond funds (0 to 40%), and other income-oriented and liquid alternatives (0 to 15%). Endowment investments do not include illiquid assets, such as real estate, and acceptable and unacceptable investments for each asset class have been established.

The purpose of each asset class investment is defined. The stock fund primarily provides appreciation of principal, the bond fund provides a predictable source of income and reduces the variability of the total endowment portfolio, other income-oriented investments provide higher income yields, and cash provides liquidity and maintains the principal. Each asset class has an objective to meet or exceed the returns of an appropriate index fund, while not exceeding the risk of the specified benchmark.

Spending policy – At this time, Compass' policy is to reinvest all earnings; withdrawals are not permitted. When the Endowment Account reaches a pre-determined level that will generate sufficient earnings, Compass' board of directors will determine the amount that will be used to help fund Compass' annual operations. The spending of earnings will be limited to the annual earnings of the portfolio and will not exceed seven percent (7%) of the fair value of the endowment fund. The fair value of the endowment fund will be calculated on the basis of market values determined at least quarterly and averaged over a period of not less than three (3) years immediately preceding the year in which the appropriation for expenditure is made.

Endowment composition – Endowment net asset composition by type of fund as of June 30, 2023 and 2022 is as follows:

	2023		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u> </u> -	\$ <u> </u> 553,025	\$ <u> </u> 553,025

Compass Family Services
Notes to Consolidated Financial Statements

	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 505,931</u>	<u>\$ 505,931</u>

Changes in endowment net assets for the fiscal years ended June 30, 2023 and 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, June 30, 2021	<u>\$ -</u>	<u>\$ 590,201</u>	<u>\$ 590,201</u>
Investment return:			
Investment income, net	<u>-</u>	<u>10,797</u>	<u>10,797</u>
Total investment return	<u>-</u>	<u>10,797</u>	<u>10,797</u>
Realized and unrealized gain	<u>-</u>	<u>(95,067)</u>	<u>(95,067)</u>
	<u>-</u>	<u>(84,270)</u>	<u>(84,270)</u>
Balance, June 30, 2022	<u>-</u>	<u>505,931</u>	<u>505,931</u>
Investment return:			
Investment income, net	<u>-</u>	<u>13,513</u>	<u>13,513</u>
Total investment return	<u>-</u>	<u>13,513</u>	<u>13,513</u>
Realized and unrealized gain	<u>-</u>	<u>33,581</u>	<u>33,581</u>
	<u>-</u>	<u>47,094</u>	<u>47,094</u>
Balance, June 30, 2023	<u>\$ -</u>	<u>\$ 553,025</u>	<u>\$ 553,025</u>

Note 13 – Retirement Plan

Compass has established a Defined Contribution Pension Plan (the “Plan”) for the benefit of its employees. Employees must have one year of service and have attained the age of 21 before they can participate in the Plan. Employee retirement accounts are fully vested after five years of service. Compass contributes 5% of eligible employees’ monthly compensation and during the years ended June 30, 2023 and 2022, contributed \$332,645 and \$267,576 to the Plan, respectively.

Compass Family Services

Notes to Consolidated Financial Statements

Note 14 – Contributions of Nonfinancial Assets

Contributions of nonfinancial assets for the years ended June 30, included in the consolidated financial statements were as follows:

	2023	2022
In-kind contributions of materials and supplies	\$ 687,733	\$ 596,877
Contributed services	<u>457,192</u>	<u>181,954</u>
	<u><u>\$ 1,144,925</u></u>	<u><u>\$ 778,831</u></u>

Compass values materials, supplies and services received at fair value based on prices of equal or comparable goods or services on the date received. These include the following:

	2023	2022
Holiday gifts	\$ 383,828	\$ 353,760
Basic needs	303,905	225,117
Professional services	457,192	181,954
Other	<u>-</u>	<u>18,000</u>
	<u><u>\$ 1,144,925</u></u>	<u><u>\$ 778,831</u></u>

Annual holiday gifts – Gifts purchased for Compass families through Compass' Adopt-A-Family program. This annual holiday program pairs specific individual donors or groups of donors with specific families who are homeless or at imminent risk and lack the resources to buy holiday gifts. Holiday gifts are valued at an estimated cost of \$165 per person within each family for 2023 and 2022. The value for goods are based on the cost of the goods donated.

Basic needs – Contributed new or gently used items were utilized to help meet the basic needs of Compass families, including hygiene kits, diapers, backpacks with school supplies, strollers, toys and games, food, and gift cards. The value for goods are based on the cost of the goods donated.

Professional services – Contributed services are comprised of professional services from attorneys advising Compass on various administrative legal matters. These services are valued at the estimated fair value based on current billing rates from the contributing attorneys for these services.

Other – are comprised of other materials and supplies received.

Holiday gifts purchased for Compass' Adopt-A-Family program were restricted to providing specific families these gifts. There were no other donor restrictions associated with the contributions of materials and supplies for the years ended June 30, 2023 and 2022. There were no materials or supplies monetized for the years ended June 30, 2023 and 2022.

Compass Family Services **Notes to Consolidated Financial Statements**

Note 15 – Leases

Operating leases – Compass QALICB closed the purchase of the building in September 2018, and leased to Compass for 25 years with initial annual base rent of \$77,083, and increases annually up to \$835,000 in the final year of the lease. Lease between Compass QALICB and Compass is eliminated at the consolidation level and the future minimum lease payments disclosed below do not include lease payments associated with the 37 Grove Street property.

Compass holds a lease for administrative offices that it sublets to another nonprofit organization, as described below, that runs through April 2023.

As of June 30, 2023, Compass has various noncancelable operating lease agreements for the rental of copiers expiring through June 2026. Options to extend are included in management's calculation of the operating right-of-use assets and related lease liabilities.

Years Ending June 30,

2024	\$ 25,200
2025	25,200
2026	<u>14,700</u>
 Total lease payments	 65,100
 Less imputed interest	 <u>(2,328)</u>
 <u>\$ 62,772</u>	 <u>\$ 62,772</u>

Lease expense are recognized on a straight-line basis over the life of the lease in the statements of activities and changes in net assets.

Weighted average remaining lease term: 2.58 years

Weighted-average discount rate: 2.73%

Future minimum payments under noncancelable operating leases as of June 30, 2022, and reflect the application of the prior lease standard (ASC Topic 840) are as follows:

Years Ending June 30,

2024	\$ 25,200
2025	25,200
2026	<u>14,700</u>
 <u>\$ 65,100</u>	 <u>\$ 65,100</u>

Compass Family Services **Notes to Consolidated Financial Statements**

In July 2018, Compass entered into a sublease agreement for its administrative offices. The sublease requires monthly payments of \$10,667 through April 2023. Compass did not have any subleases at June 30, 2023.

Restrictions on use of property – Compass received grant funding amounting to \$1,985,243 in prior years for the development of Compass Clara House, and received an additional development grant \$115,000. The terms of the agreements have placed certain restrictions on the use and disposition of the property for a period of fifty years. A portion of these grants may have to be repaid should there be any violation in the restrictions. Restrictions on such grants apply for ten years after the estimated useful life of the property, and are amortized using the method of accounting stated in Note 2. Total amount amortized was \$44,036 in 2023 and 2022.

During the years ended June 30, 2002 and 2001, Compass received grants of \$135,000 from Low Income Investment Fund and \$405,000 from U.S. Department of Housing and Urban Development (“HUD”), respectively, for the development of the Compass Children’s Center building. These grants have long-term restrictions, and these restrictions will be amortized using the method of accounting stated in Note 2. Total amount amortized was \$13,500 in 2023 and 2022.

Note 16 – Commitments and Contingencies

Compass’ grants and contracts are subject to inspection and audit by the various governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. In addition, some government agencies make large upfront payments early in the contract period, Compass unable to provide enough units of service or expend enough allowable costs to fully utilize these funds.

At June 30, 2023, there were no significant outstanding legal actions or claims against Compass. Compass maintains various forms of insurance that its management believes are adequate to reduce the exposure to these risks to an acceptable level.

Note 17 – Liquidity and Funds Available

As part of Compass’ liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, Compass has cash and cash equivalents, government grants receivable, contributions receivable, and investments available.

Compass Family Services
Notes to Consolidated Financial Statements

The following is a quantitative disclosure which describes assets that are available within one year of June 30, to fund general expenditures and other obligations as they become due:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 3,030,094	\$ 4,307,336
Government grants receivable	7,440,514	2,067,647
Contributions receivable, net - current portion	1,209,530	1,370,229
Investments - current portion	<u>5,491,696</u>	<u>3,841,488</u>
	17,171,834	11,586,700
Less: amounts unavailable for general expenditures within one year, due to:		
Donor restrictions	<u>(813,312)</u>	<u>(1,029,043)</u>
Total funds available for general expenditures within one year	<u>\$ 16,358,522</u>	<u>\$ 10,557,657</u>

Compass has financial assets available at June 30, 2023 and 2022, to cover approximately 274 and 212 days of operating expenses based on the fiscal year 2023 and 2022 budget, respectively. The fiscal year 2023 and 2022 budget includes operating expenses that will be covered with donor restricted funds as the restrictions are met. Depending on the restriction, donor restricted funds may be used within one year.

Note 18 – Subsequent Events

Subsequent events are events or transactions that occur after the consolidated statement of financial position date, but before the consolidated financial statements are available to be issued. Compass recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position including estimates inherent in the process of preparing consolidated financial statements. Compass' consolidated financial statements do not recognize subsequent events that provide additional evidence about conditions that did not exist at the date of the consolidated statement of financial position, but arose after the statement of financial position date before the consolidated financial statements were available to be issued.

On December 20, 2023, Compass entered into a line of credit with Frist Republic Bank in the amount of \$800,000. The line has a maturity of October 10, 2024, and carries an interest rate of the prime index rate plus 0.25%.

Compass has evaluated subsequent events through January 12, 2024, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

Compass Family Services
Consolidating Statement of Financial Position
June 30, 2023

	Compass Family Services	Compass QALICB	Eliminating Entries	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,773,264	\$ 256,830	\$ -	\$ 3,030,094
Restricted cash	789,518	201,225	-	990,743
Restricted cash - QALICB	-	-	-	-
Government grants receivable	7,440,514	-	-	7,440,514
Contributions receivable, net	1,209,530	-	-	1,209,530
Rent receivable	-	2,262,330	(2,262,330)	-
Prepaid expenses and other assets	365,570	-	(57,643)	307,927
Investments	5,491,696	-	-	5,491,696
Client funds held in trust	37,667	-	-	37,667
 Total current assets	 18,107,759	 2,720,385	 (2,319,973)	 18,508,171
NONCURRENT ASSETS				
Cash - replacement reserves	426,483	-	-	426,483
Investments - replacement reserves	435,035	-	-	435,035
Operating reserve	83,823	-	-	83,823
NMTC leverage loan receivable	10,434,220	-	-	10,434,220
Endowment investments	536,806	-	-	536,806
Operating lease right-of-use assets	61,928	-	-	61,928
Property, equipment, and leasehold improvements, net	4,057,445	13,309,391	-	17,366,836
 Total noncurrent assets	 16,035,740	 13,309,391	 -	 29,345,131
 Total assets	 <u>\$ 34,143,499</u>	 <u>\$ 16,029,776</u>	 <u>\$ (2,319,973)</u>	 <u>\$ 47,853,302</u>

Compass Family Services
Consolidating Statement of Financial Position (Continued)
June 30, 2023

	Compass Family Services	Compass QALICB	Eliminating Entries	Total
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 4,203,646	\$ 57,643	\$ (2,319,973)	\$ 1,941,316
Deferred revenue	1,431,542	-	-	1,431,542
Client funds held in trust	37,667	-	-	37,667
Loan payable, current portion	14,384	-	-	14,384
Operating lease liability, current portion	<u>23,772</u>	<u>-</u>	<u>-</u>	<u>23,772</u>
Total current liabilities	<u>5,711,011</u>	<u>57,643</u>	<u>(2,319,973)</u>	<u>3,448,681</u>
NONCURRENT LIABILITIES				
Operating lease liability, net of current portion	39,000	-	-	39,000
Notes payable - NMTC	<u>-</u>	<u>14,690,763</u>	<u>-</u>	<u>14,690,763</u>
Total noncurrent liabilities	<u>39,000</u>	<u>14,690,763</u>	<u>-</u>	<u>14,729,763</u>
Total liabilities	<u>5,750,011</u>	<u>14,748,406</u>	<u>(2,319,973)</u>	<u>18,178,444</u>
NET ASSETS				
Without donor restrictions	23,232,564	1,281,370	-	24,513,934
With donor restrictions	<u>5,160,924</u>	<u>-</u>	<u>-</u>	<u>5,160,924</u>
Total net assets	<u>28,393,488</u>	<u>1,281,370</u>	<u>-</u>	<u>29,674,858</u>
Total liabilities and net assets	<u>\$ 34,143,499</u>	<u>\$ 16,029,776</u>	<u>\$ (2,319,973)</u>	<u>\$ 47,853,302</u>

Compass Family Services
Consolidating Schedule of Activities and Changes in Net Assets
Year Ended June 30, 2023

	Compass Family Services	Compass QALICB	Eliminating Entries	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Government grants	\$ 15,338,821	\$ -	\$ -	\$ 15,338,821
Contributions	5,935,930	4,354	-	5,940,284
Contributed services	457,192	-	-	457,192
Special events	332,648	-	-	332,648
In-kind contributions	687,733	-	-	687,733
Program service fees	15,289	-	-	15,289
Interest and investment income	184,052	788	-	184,840
Realized and unrealized gains on investments	137,687	-	-	137,687
Rental income	-	654,881	(654,881)	-
Other income	960,037	-	-	960,037
NMTC leverage loan interest	207,109	-	-	207,109
 Total revenues, gains, and other support	 24,256,498	 660,023	 (654,881)	 24,261,640
EXPENSES				
Compass Family Shelter	1,226,830	-	-	1,226,830
Compass Children's Center	3,768,568	-	-	3,768,568
Compass SF Home	4,625,570	-	(187,113)	4,438,457
Compass Clara House	1,466,619	-	-	1,466,619
Compass C-RENT	1,310,476	-	(51,754)	1,258,722
Central City Access Point	1,117,809	-	(59,673)	1,058,136
Compass Family Resource Center	862,725	-	(45,520)	817,205
Compass C-WORK	514,280	-	(51,684)	462,596
Compass Childcare Support Services	740,730	-	(53,743)	686,987
Compass 1321 Mission the Margot	329,124	-	-	329,124
Compass Behavioral Services	2,024,761	-	(118,695)	1,906,066
Compass Brief Stays	245,333	-	-	245,333
Management and general	3,674,498	545,163	(12,135)	4,207,526
Fundraising	1,340,040	-	(74,564)	1,265,476
 Total expenses	 23,247,363	 545,163	 (654,881)	 23,137,645
CHANGE IN NET ASSETS				
1,009,135	114,860	-	-	1,123,995
NET ASSETS, beginning of year	27,384,353	1,166,510	-	28,550,863
NET ASSETS, end of year	\$ 28,393,488	\$ 1,281,370	\$ -	\$ 29,674,858

See accompanying notes.

Compass Family Services
Statements of Cash Flows for Compass QALICB
Years Ended June 30, 2023 and 2022

	2023
CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 114,860
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation and amortization	240,195
Changes in operating assets and liabilities:	
Prepaid expense and other assets	4,068
Accounts payable and accrued expenses	57,643
Due to Compass Family Services	(38,478)
Deferred rent	<u>(444,881)</u>
Net cash used in operating activities	<u>(66,593)</u>
CASH FLOWS FROM INVESTING ACTIVITY	
Purchase of property, equipment, and leasehold improvements	<u>-</u>
Net cash used in investing activity	<u>-</u>
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(66,593)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	<u>524,648</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	<u>\$ 458,055</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH CONSISTED OF THE FOLLOWING	
Cash and cash equivalents	\$ 256,830
Restricted cash - QALICB	<u>201,225</u>
	<u>\$ 458,055</u>

See accompanying notes.

**Compass Family Services
General Information
Year Ended June 30, 2023**

Center Name	Compass Children's Center
Contract Numbers	CCTR-2228 CSPP-2470
Project Number	38-B588-00-1
Type of Agency	Private Nonprofit Corporation
Address	Agency: 37 Grove Street San Francisco, California 94102
	Center: 114 Leavenworth Street San Francisco, California 94102
Name of Executive Director	Erica Kisch
Telephone Number	(415) 644-0504
Audit Period	July 1, 2022 through June 30, 2023
Number of Operations Days of Agency	246
Scheduled Daily Hours of Operation	Agency: 9:00am to 5:00pm Center: 7:45am to 6:00pm

See accompanying notes.

Compass Family Services
Combining Statement of Financial Position
Year Ended June 30, 2023

	Child Development Funds	Other Funds	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ -	\$ 3,030,094	\$ 3,030,094
Restricted cash	773,840	216,903	990,743
Government grant receivable	1,393,875	6,046,639	7,440,514
Contributions receivable, net	926,624	282,906	1,209,530
Prepaid expenses	-	307,927	307,927
Investments	-	5,491,696	5,491,696
Client funds held in trust	-	37,667	37,667
 Total current assets	 3,094,339	 15,413,832	 18,508,171
NONCURRENT ASSETS			
Replacement reserve	447,323	414,195	861,518
Operating reserve	-	83,823	83,823
NMTC leverage loan receivable	-	10,434,220	10,434,220
Endowment investments	-	536,806	536,806
Operating lease right-of-use assets	-	61,928	61,928
Property and equipment, net	1,927,628	15,439,208	17,366,836
 Total noncurrent assets	 2,374,951	 26,970,180	 29,345,131
 Total assets	 \$ 5,469,290	 \$ 42,384,012	 \$ 47,853,302

See accompanying notes.

Compass Family Services
Combining Statement of Financial Position
Year Ended June 30, 2023

	Child Development Funds	Other Funds	Total
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 210,361	\$ 1,730,955	\$ 1,941,316
Deferred revenue	66,478	1,365,064	1,431,542
Client funds held in trust	-	37,667	37,667
Operating lease liability, current portion	-	23,772	23,772
Notes payable, current portion	14,384	-	14,384
 Total current liabilities	 291,223	 3,157,458	 3,448,681
LONG-TERM LIABILITIES			
Operating lease liability, net of current portion	-	39,000	39,000
Notes payable, NMTC, net	-	14,690,763	14,690,763
Due to/from other funds	1,190,808	(1,190,808)	-
 Total long-term liabilities	 1,190,808	 13,538,955	 14,729,763
 Total liabilities	 1,482,031	 16,696,413	 18,178,444
NET ASSETS			
Without donor restrictions	2,620,569	21,900,975	24,521,544
With donor restrictions	1,366,690	3,786,624	5,153,314
 Total net assets	 3,987,259	 25,687,599	 29,674,858
 Total liabilities and net assets	 \$ 5,469,290	 \$ 42,384,012	 \$ 47,853,302

Compass Family Services
Combining Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions										With Donor Restrictions				Total										
	CCTR-2228		CSPP-2470		CSPP-0491 (PY)		Compass Clara House - CACFP		Compass Children's Center - Other Funds		Compass Children's Center Total		All Other Compass Programs		Total Without Donor Restrictions		Compass Children's Center - Other Funds		All Other Compass Programs		Total With Donor Restrictions		Total		
REVENUES AND SUPPORT																									
Per CDE fiscal report																									
CDE restricted revenue:																									
Child Care Program	\$ 31,216	\$ 49,714	\$ -	\$ 14,243	\$ -	\$ 95,173	\$ -	\$ 95,173	\$ -	\$ 95,173	\$ -	\$ 95,173	\$ -	\$ 95,173	\$ -	\$ 95,173	\$ -	\$ 95,173	\$ -	\$ 95,173	\$ -	\$ 95,173	\$ -		
American Rescue Plan Act (ARPA)	4,912	98,240	-	-	-	103,152	-	-	-	103,152	-	-	-	-	-	-	-	-	-	-	27,956	27,956	21,122	21,122	
Other:																									
Government grants	10,783	17,173	-	-	-	27,956	-	-	27,956	-	-	-	-	-	-	-	-	-	-	-	27,956	27,956	21,122	21,122	
Program service fees (Family fees - certified)	15,172	5,950	-	-	-	21,122	-	-	21,122	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal CDE restricted	62,083	171,077	-	14,243	-	247,403	-	-	247,403	-	-	-	-	-	-	-	-	-	-	-	247,403	247,403	-	-	
CDE unrestricted revenue:																									
Program service fees (Family Fees - noncertified)	-	5,872	-	-	-	5,872	-	-	5,872	-	-	-	-	-	-	-	-	-	-	-	5,872	5,872	-	-	
Other:																									
Government grants	722,702	1,150,969	-	-	-	1,873,671	-	-	1,873,671	-	-	-	-	-	-	-	-	-	-	1,873,671	1,873,671	515,513	515,513		
Contributions (earned)	242,426	273,087	-	-	-	515,513	-	-	515,513	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest and investment income (non CDE funds)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal unrestricted	965,128	1,429,928	-	-	-	2,395,056	-	-	2,395,056	-	-	-	-	-	-	-	-	-	-	2,395,056	2,395,056	-	-		
CDE supplemental:																									
Government grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Contributions (earned)	289,569	305,315	-	-	-	594,884	-	-	594,884	-	-	-	-	-	-	-	-	-	-	594,884	594,884	-	-		
Contributions (in-kind)	89,402	82,528	-	-	-	171,930	-	-	171,930	-	-	-	-	-	-	-	-	-	-	171,930	171,930	-	-		
Interest and investment income (non-CDE funds)	6,916	11,187	-	-	-	18,103	-	-	18,103	-	-	-	-	-	-	-	-	-	-	18,103	18,103	-	-		
Realized and unrealized gain on investments	6,058	9,477	-	-	-	15,535	-	-	15,535	-	-	-	-	-	-	-	-	-	-	15,535	15,535	-	-		
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal supplemental	391,945	408,507	-	-	-	800,452	-	-	800,452	-	-	-	-	-	-	-	-	-	-	800,452	800,452	-	-		
GAAP ADDITIONS AND ADJUSTMENTS																									
California Dept. of Education - CCTR	933,006	-	-	-	-	933,006	-	-	933,006	-	-	-	-	-	-	-	-	-	-	933,006	933,006	-	-		
California Dept. of Education - CSPP	-	825,358	-	-	-	825,358	-	-	825,358	-	-	-	-	-	-	-	-	-	-	825,358	825,358	-	-		
California Dept. of Education - CSPP-0491	-	-	90,047	-	-	90,047	-	-	90,047	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
CDSS - minor repair and renovation grant	13,461	21,054	-	(14,243)	-	34,515	-	-	11,370,186	-	11,370,186	-	11,355,943	-	-	-	-	-	-	(14,243)	11,355,943	-	-		
Government grants	-	-	-	-	(31,517)	(31,517)	31,517	-	-	-	-	-	-	-	-	-	-	-	-	(31,517)	(31,517)	-	-		
Transfers	-	-	-	-	(1,110,397)	(1,110,397)	(1,110,397)	-	-	-	-	-	-	-	-	-	-	-	-	(1,110,397)	(1,110,397)	-	-		
Contributions (earned) - subtract CDE report amounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Contributions (received)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Contributed services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Contributions (in-kind)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Special events	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Program service fee - other, CCC subtract waived fees included in reports	(15,172)	(11,822)	-	-	-	(26,994)	-	-	15,288	(11,705)	-	-	-	-	-	-	-	-	-	(26,994)	(11,705)	-	-		
NMTC Leverage Loan Interest	-	-	-	-	-	-	-	-	207,109	-	-	-	-	-	-	-	-	-	-	-	207,109	-	-	-	
Interest and investment income	-	-	-	-	-	-	-	-	154,197	-	-	-	-	-	-	-	-	-	-	12,541	12,541	-	166,738		
Realized and unrealized gain on investments	-	-	-	-	-	-	-	-	95,205	-	-	-	-	-	-	-	-	-	-	26,946	26,946	-	122,151		
Other income	-	-	-	-	-	-	-	-	960,038	-	-	-	-	-	-	-	-	-	-	-	-	-	960,038		
Subtotal revenues	2,350,451	2,844,102	90,047	-	(1,141,914)	4,142,686	17,235,173	21,377,859	803,612	2,080,170	2,883,782	4,946,298	24,261,641	-	-	-	-	-	-	-	-	-	-	-	-
NET ASSETS RELEASED FROM RESTRICTION																									
Satisfaction of program restrictions	-	-	-	-	-	930,574	930,574	1,805,586	2,736,160	(930,574)	(1,805,586)	(2,736,160)	-	-	-	-	-	-	-	-	-	-	-	-	-
Satisfaction of restrictions on long-lived assets	-	-	-	-	-	13,500	13,500	44,036	57,536	(13,500)	(44,036)	(57,536)	-	-	-	-	-	-	-	-	-	-	-	-	
Total revenues and support	2,350,451	2,844,102	90,047	-	(197,840)	5,086,760	19,084,795	24,171,555	(140,462)	230,548	90,086	4,946,298	24,261,641	-	-	-	-	-	-	-	-	-	-	-	-

See accompanying notes.

Compass Family Services
Combining Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions							With Donor Restrictions				Total	
	CCTR-2228	CSPP-2470	CSPP-0491 (PY)	Compass	Compass	All Other Compass Programs	Total Without Donor Restrictions	Compass	Compass	Total With Donor Restrictions	Compass Children's Center	All Compass Programs	
				Clara House - CACFP	Children's Center - Other Funds			Children's Center - Other Funds	All Other Compass Programs				
EXPENSES													
Salaries and wages	\$ 966,083	\$ 1,113,779	\$ -	\$ -	\$ -	\$ 2,079,862	\$ 8,134,565	\$ 10,214,427	\$ -	\$ -	\$ -	\$ 2,079,862	\$ 10,214,427
Employee benefits	308,297	355,430	-	-	-	663,727	2,222,026	2,885,753	-	-	-	663,727	2,885,753
Professional fees	140,961	121,237	-	-	-	262,198	1,351,871	1,614,069	-	-	-	262,198	1,614,069
Housing Assistance	-	-	-	-	-	-	3,119,868	3,119,868	-	-	-	-	3,119,868
Client assistance	93,898	86,400	-	-	-	180,298	1,734,052	1,914,350	-	-	-	180,298	1,914,350
Rent and occupancy	69,727	59,983	-	-	-	129,710	354,592	484,302	-	-	-	129,710	484,302
Contributed services	-	-	-	-	-	-	455,068	-	-	-	-	-	-
Office supplies	1,903	1,666	-	-	-	3,569	30,855	34,424	-	-	-	3,569	34,424
Program expenses	93,489	103,306	-	-	-	196,795	192,904	389,699	-	-	-	196,795	389,699
Telephone	13,358	12,243	-	-	-	25,601	122,125	147,726	-	-	-	25,601	147,726
License and fees - technology	11,823	10,559	-	-	-	22,382	164,290	186,672	-	-	-	22,382	186,672
License and fees - other	5,484	5,032	-	-	-	10,516	157,187	167,703	-	-	-	10,516	167,703
Insurance	11,907	10,247	-	-	-	22,154	95,704	117,858	-	-	-	22,154	117,858
Equipment maintenance	3,719	3,465	-	-	-	7,184	152,306	159,490	-	-	-	7,184	159,490
Printing, postage	893	762	-	-	-	1,655	9,127	10,782	-	-	-	1,655	10,782
Travel and conferences, training	2,273	1,806	-	-	-	4,079	61,029	65,108	-	-	-	4,079	65,108
Interest	-	-	-	-	-	-	241,960	241,960	-	-	-	-	241,960
Miscellaneous	9,025	7,650	-	-	-	16,675	104,892	121,567	-	-	-	16,675	121,567
Cost of special event	731	674	-	-	-	1,405	239,160	240,565	-	-	-	1,405	240,565
Depreciation and amortization	54,292	86,465	-	-	-	140,757	425,498	566,255	-	-	-	140,757	566,255
Administrative costs	246,516	271,653	-	-	-	518,169	(518,169)	-	-	-	-	518,169	-
Total expenses	<u>2,034,379</u>	<u>2,252,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,286,736</u>	<u>18,850,910</u>	<u>23,137,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,286,736</u>	<u>23,137,646</u>
CHANGE IN NET ASSETS	316,072	591,745	90,047	-	(197,840)	800,024	233,885	1,033,909	(140,462)	230,548	90,086	659,562	1,123,995
NET ASSETS, beginning of year	<u>(1,619,350)</u>	<u>(1,472,227)</u>	<u>-</u>	<u>-</u>	<u>4,912,121</u>	<u>1,820,544</u>	<u>21,667,091</u>	<u>23,487,635</u>	<u>1,507,152</u>	<u>3,556,076</u>	<u>5,063,228</u>	<u>3,327,696</u>	<u>28,550,863</u>
NET ASSETS, end of year	<u>\$ (1,303,278)</u>	<u>\$ (880,482)</u>	<u>\$ 90,047</u>	<u>\$ -</u>	<u>\$ 4,714,281</u>	<u>\$ 2,620,568</u>	<u>\$ 21,900,976</u>	<u>\$ 24,521,544</u>	<u>\$ 1,366,690</u>	<u>\$ 3,786,624</u>	<u>\$ 5,153,314</u>	<u>\$ 3,987,258</u>	<u>\$ 29,674,858</u>

Compass Family Services
Combining Schedule of Claimed Renovation and Repair Expenditures
Year Ended June 30, 2023

	CCTR-2228	CSPP-2470	Compass Children's Center Total	Compass Clara House	Total
Unit cost under \$10,000					
Water heater replacement	\$ 1,482	\$ 2,318	\$ 3,800	\$ -	\$ 3,800
Interior painting - childcare	-	-	-	3,897	3,897
Door from childcare to courtyard playground	-	-	-	1,433	1,433
Childcare flooring	-	-	-	6,495	6,495
Outdoor playset	-	-	-	1,348	1,348
Subtotal unit cost under \$10,000	1,482	2,318	3,800	13,173	16,973
Unit cost over \$10,000 (with CDE or CDSS approval)					
Interior paint	4,755	7,437	12,193	-	12,193
Exterior paint	7,224	11,299	18,523	-	18,523
Subtotal unit cost over \$10,000	11,979	18,736	30,716	-	30,716
Unit cost over \$10,000 (without CDE or CDSS approval)					
Item	-	-	-	-	-
	<u>\$ 13,461</u>	<u>\$ 21,054</u>	<u>\$ 34,516</u>	<u>\$ 13,173</u>	<u>\$ 47,689</u>

See accompanying notes.

Compass Family Services
Combining Schedule of Claimed Equipment Expenditures
Year Ended June 30, 2023

	CCTR-2228	CSPP-2470	Total
Capitalized Equipment Expensed on the AUD with Prior written Approval	\$ -	\$ -	\$ -
Capitalized Equipment Expensed on the AUD without Prior Written Approval	-	-	-
Total Capitalized Equipment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

Compass Family Services
Combining Schedule of Claimed Administrative Costs
Year Ended June 30, 2023

	<u>CCTR-2228</u>	<u>CSPP-2470</u>	<u>Child Care Food Program</u>	<u>Total</u>
Indirect costs	\$ 144,384	\$ 159,775	\$ 7,357	\$ 311,516
CACFP - CCC	2,838	4,519	(7,357)	-
CACFP - CCH	<u>-</u>	<u>-</u>	<u>1,295</u>	<u>1,295</u>
	<u><u>\$ 147,222</u></u>	<u><u>\$ 164,294</u></u>	<u><u>\$ 1,295</u></u>	<u><u>\$ 312,811</u></u>

See accompanying notes.

Compass Family Services
Combining Schedule of Expenditures by State Categories and
Reconciliation of CDE/CDSS and GAAP Expense Reporting
Year Ended June 30, 2023

Compass Children's Center											Compass Clara House		
CCTR-2228			CSPP-2470			CDSS FGRT 22-IGPMRR-0782			CDE FGRT 22-IGPMRR-0592				
	Reimbursable	Supplemental	Total	Reimbursable	Supplemental	Total	Minor Renovation and Repairs - CCC	Total Child Development	Included in CCTR and CSPP	Total CCC	Minor Renovation and Repairs - Clara House	CACFP - Clara House	
1000 CERTIFIED SALARIES													
1100 Teacher's salaries	\$ 566,667	\$ 3,864	\$ 566,667	\$ 660,559	\$ 3,470	\$ 660,559	\$ -	\$ 1,227,226	\$ -	\$ 1,227,226	\$ -	\$ -	
1200 Administrators salaries	100,084	-	103,948	87,360	-	87,360	-	194,778	-	194,778	-	-	
1300 Supervisor's salaries	77,980	-	77,980	93,704	-	93,704	-	171,684	-	171,684	-	-	
1900 Other certified salaries	76,092	32,408	108,500	72,987	31,287	104,274	-	212,774	-	212,774	-	-	
	820,823	36,272	857,095	914,610	34,757	949,367	-	1,806,462	-	1,806,462	-	-	
2000 CLASSIFIED SALARIES													
2100 Instructional aide's salaries	13,240	-	13,240	81,394	-	81,394	-	94,634	-	94,634	-	-	
2300 Clerical and other office salaries	36,512	1,433	37,945	31,342	1,891	33,233	-	71,178	-	71,178	-	-	
2400 Maintenance/operations salaries	28,287	13,602	41,889	24,363	11,716	36,079	-	77,968	-	77,968	-	-	
2500 Food service salaries	10,956	4,958	15,914	9,436	4,270	13,706	-	29,620	-	29,620	-	-	
	88,995	19,993	108,988	146,535	17,877	164,412	-	273,400	-	273,400	-	-	
3000 EMPLOYEE BENEFITS													
3300 Social Security	56,409	3,488	59,897	65,791	3,263	69,054	-	128,951	-	128,951	-	-	
3400 Health and welfare benefits	172,026	10,638	182,664	200,638	9,952	210,590	-	393,254	-	393,254	-	-	
3500 State Unemployment	1,837	114	1,951	2,143	146	2,246	-	4,200	-	4,200	-	-	
3600 Workers' compensation	19,780	1,223	21,003	23,070	1,144	24,214	-	45,217	-	45,217	-	-	
3900 Other benefits	40,290	2,492	42,782	46,991	2,331	49,322	-	92,104	-	92,104	-	-	
	290,342	17,955	308,297	338,633	16,796	355,429	-	663,726	-	663,726	-	-	
4000 BOOKS, SUPPLIES AND EQUIPMENT													
4200 Books other than textbooks	29,597	3,109	32,706	35,310	6,508	41,818	-	74,524	-	74,524	-	-	
4300 Instructional material and supplies	7,566	2,591	10,157	14,238	2,238	16,476	-	26,633	-	26,633	-	-	
4600 Pupil transportation supplies	16	-	16	14	-	14	-	30	-	30	-	-	
4710 Food	23,338	366	23,704	(244)	155	(89)	-	23,615	73,573	97,188	-	12,948	
4790 Other food service supplies	3,681	(36)	3,845	3,816	713	4,529	-	8,374	-	8,374	-	-	
	64,398	6,030	70,428	53,134	9,614	62,748	-	133,176	73,573	206,749	-	12,948	
5000 SERVICES/OTHER OPERATING EXPENSES													
5100 Contracts for personnel services	81,201	5,587	86,788	63,487	11,675	75,162	-	161,950	-	161,950	-	-	
5200 Travel, conferences, and other	1,665	4,955	6,620	1,050	4,632	5,682	-	12,302	-	12,302	-	-	
5400 Insurance	135	11,771	11,906	115	10,131	10,246	-	22,152	-	22,152	-	-	
5500 Utilities and housekeeping	63,648	10,556	74,304	52,419	10,034	63,293	3,800	140,927	-	140,927	6,227	-	
5600 Contracts, rent and leases	8,794	8,794	8,794	7,569	7,569	7,569	-	100,247	-	100,247	-	-	
5700 Legal, election, and audit	24,720	29,453	54,173	20,747	25,327	46,074	-	100,247	-	100,247	-	-	
5800 Other services and operating expenses (training)	6,432	20,151	26,583	4,698	18,912	23,610	-	50,193	-	50,193	-	-	
	177,801	90,967	268,768	142,516	89,050	231,566	3,800	487,771	-	487,771	6,227	-	
6000 CAPITAL OUTLAY													
6200 Building and improvements of building	-	-	-	-	-	-	-	30,716	30,716	30,716	-	-	
OTHER													
Depreciation or use allowance	22,991	-	22,991	36,615	-	36,615	-	59,606	-	59,606	-	-	
Indirect - Administrative	144,384	99,293	243,677	159,775	107,361	267,136	-	510,813	7,357	518,170	-	1,295	
Nonreimbursables	-	121,437	121,437	-	133,052	-	-	254,489	-	254,489	-	-	
	167,375	220,730	388,105	196,390	240,413	436,803	-	824,908	7,357	832,265	-	1,295	
Total expenditures by state categories	1,609,734	391,947	2,001,681	1,791,818	408,507	2,200,325	34,516	4,236,522	80,930	4,317,452	6,227	14,243	
Adjustments:													
Costs related to CDSS minor renovation and repair grants	1,482	-	1,482	2,318	-	2,318	(34,516)	(30,716)	-	-	6,945	-	
Costs related to Child Care Food Program	31,216	-	31,216	49,714	-	49,714	-	80,930	(80,930)	-	-	-	
Total reimbursable and nonreimbursable expenditures (GAAP)	\$ 1,642,432	\$ 391,947	\$ 2,034,379	\$ 1,843,850	\$ 408,507	\$ 2,252,357	\$ -	\$ 4,286,736	\$ -	\$ 4,286,736	\$ 13,172	\$ 14,243	

See accompanying notes.

Compass Family Services

Notes to Child Care and Development Programs Supplementary Information

Note 1 – Interest Expense

Interest expense is only allowable as a reimbursable cost in certain circumstances when it has been preapproved by the administering state department or relates to the lease purchase, acquisition, or repair or renovation of early learning and care facilities owned or leased by the contractor. No interest expense was claimed to a child development contract for the year ended June 30, 2023.

Note 2 – Related-Party Rent Transactions

All expense claimed for reimbursement under a related-party rent transaction must be supported by a fair market rental estimate from an independent appraiser, licensed by the California Office of Real Estate Appraisers. No related-party rent transactions occurred for the year ended June 30, 2023.

Note 3 – Bad Debt Expense

Bad debt expense is unallowable unless it relates to uncollected family fees where documented of adequate collection attempts exists. No bad debt expense was claimed to a child development contract for the year ended June 30, 2023.

Audited Attendance and Fiscal Reports

AUDITED ENROLLMENT, ATTENDANCE AND FISCAL REPORT FOR CHILD CARE AND DEVELOPMENT PROGRAMS

Fiscal Year Ending Contract Number Vendor Code Full Name of Contractor

Section 1 - Number of Counties Where Services are Provided

Number of counties where the agency provided services to certified children (Form AUD 9500.1): Number of counties where the agency provided mental health consultation services to certified children (Form AUD 9500.2): Number of counties where the agency provided services to non-certified children (Form AUD 9500.3): Number of counties where the agency provided mental health consultation services to non-certified children (Form AUD 9500.4): Total enrollment and attendance forms to attach:

Note: For each of the above categories, submit one form for each service county for the fiscal year.

Section 2 - Days of Enrollment, Attendance and Operation

	Column A Cumulative FY CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjusted Days per Audit
Total Certified Days of Enrollment				
Total Certified Days of Enrollment with Mental Health Consultation Services				
Days of Attendance (including MHCS)				
Total Non-Certified Days of Enrollment				
Total Non-Certified Days of Enrollment with Mental Health Consultation Services				
Days of Operation				

Audit Report Page

Full Name of Contractor

Contract Number

Section 3 - Revenue

	Column A Cumulative FY CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Restricted Income - Child Nutrition Programs			
Restricted Income - County Maintenance of Effort (WIC Section 10308.5)			
Restricted Income - American Rescue Plan Act (ARPA)			
Restricted Income - Other:			
Restricted Income - Subtotal			
Transfer From Reserve			
Waived Family Fees for Certified Children			
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income - Fees for Non-Certified Children			
Unrestricted Income - Head Start			
Unrestricted Income - Other:			
Total Revenue			

Comments:

Audit Report Page

Full Name of Contractor

Contract Number

Section 4 - Reimbursable Expenses

	Column A Cumulative FY CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Direct Payments to Providers (FCCH only)			
1000 Certificated Salaries			
2000 Classified Salaries			
3000 Employee Benefits			
4000 Books and Supplies			
5000 Services and Other Operating Expenses			
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (include in Total Administrative Cost)			
Non-Reimbursable (State use only)			
Total Reimbursable Expenses			
Total Administrative Cost (included in Section 4 above)			
Total Staff Training Cost (included in Section 4 above)			

Approved Indirect Cost Rate:

 NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 4.

Audit Report Page

Full Name of Contractor

Contract Number

Section 5 - Supplemental Revenue

	Column A Cumulative FY CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Enhancement Funding			
Other:			
Other:			
Total Supplemental Revenue			

Section 6 - Supplemental Expenses

	Column A Cumulative FY CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
1000 Certificated Salaries			
2000 Classified Salaries			
3000 Employee Benefits			
4000 Books and Supplies			
5000 Services and Other Operating Expenses			
6000 Equipment / Capital Outlay			
Depreciation or Use Allowance			
Indirect Costs			
Non-Reimbursable Supplemental Expenses			
Total Supplemental Expenses			

Audit Report Page

Full Name of Contractor Contract Number **Section 7 - Summary**

	Column A Cumulative FY CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Total Certified Days of Enrollment (including MHCS)			
Days of Operation			
Days of Attendance (including MHCS)			
Restricted Program Income			
Transfer from Reserve			
Waived Family Fees for Certified Children			
Interest Earned on Child Development Apportionment Payments			
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses			
Total Administrative Cost			
Total Staff Training Cost			

Total Certified Adjusted Days of Enrollment (including MHCS) Total Non-Certified Adjusted Days of Enrollment (including MHCS)

Independent auditor's assurances on agency's compliance with contract funding terms and conditions and program requirements for programs that transferred to the California Department of Social Services on July 1, 2021 pursuant to WIC Section 10203(b):

Eligibility, enrollment and attendance records are being maintained as required (select YES or NO from the drop-down box):

Reimbursable expenses claimed on page 3 are eligible for reimbursement, reasonable, necessary, and adequately supported (select YES or NO from the drop-down box):

Include any comments in the comments box on page 2. If necessary, attach additional sheets to explain adjustments.

Audit Report Page

Contractor Name:

**California Department of Education
Audited Enrollment, Attendance and Fiscal
Report for California State Preschool Program**

Contract Number:

Fiscal Year Ended: June 30, 2023

Vendor Code:

Section 1 – Number of Counties Where Services are Provided

Number of counties where the agency provided services to certified children (Form 1):

Number of counties where the agency provided mental health consultation services to certified children (Form 2):

Number of counties where the agency provided services to non-certified children (Form 3):

Number of counties where the agency provided mental health consultation services to non-certified children (Form 4):

Total enrollment and attendance forms to attach:

Note: For each of the above categories, submit one form for each service county.

Section 2 – Days of Enrollment, Attendance and Operation

Enrollment and Attendance Form Summary	Column A Cumulative FY per CPARIS	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjusted Days per Audit
Total Certified Days of Enrollment				
Total Certified Days of Enrollment with Mental Health Consultation Services				
Days of Attendance (including MHCS)				N/A
Total Non-Certified Days of Enrollment				
Total Non-Certified Days of Enrollment with Mental Health Consultation Services				

Days of Operation	Column A Cumulative FY per CPARIS	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjusted Days per Audit
Days of Operation				N/A

Contractor Name:

Contract Number:

Section 3 – Revenue

Restricted Income	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Child Nutrition Programs			
County Maintenance of Effort (EC Section 8260)			
Other:			
Other:			
TOTAL RESTRICTED INCOME			

Transfer from Reserve	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Transfer from Preschool Reserve Account			

Other Income	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Waived Family Fees for Certified Children			
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income: Fees for Non-Certified Children			
Unrestricted Income: Head Start			
Other:			
Other:			

Contractor Name:

Contract Number:

Section 4 - Reimbursable Expenses

Cost Category	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Direct Payments to Providers (FCCH only)			
1000 Certificated Salaries			
2000 Classified Salaries			
3000 Employee Benefits			
4000 Books and Supplies			
5000 Services and Other Operating Expenses			
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Start-up Expenses (service level exemption)			
Indirect Costs (include in Total Administrative Cost)			
TOTAL REIMBURSABLE EXPENSES			

Does the agency have an indirect cost rate approved by its cognizant agency (Select YES or NO)? Yes No

Approved Indirect Cost Rate:

Specific Items of Reimbursable Expenses	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Total Administrative Cost (included in Reimbursable Expenses)			
Total Staff Training Cost (included in Reimbursable Expenses)			

NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 4.

Contractor Name:

Contract Number:

Section 5 - Supplemental Funding

Supplemental Revenue	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Enhancement Funding			
Other:			
Other:			
TOTAL SUPPLEMENTAL REVENUE			

Supplemental Expenses	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
1000 Certificated Salaries			
2000 Classified Salaries			
3000 Employee Benefits			
4000 Books and Supplies			
5000 Services and Other Operating Expenses			
6000 Equipment / Capital Outlay			
Depreciation or Use Allowance			
Indirect Costs			
Non-Reimbursable Supplemental Expenses			
TOTAL SUPPLEMENTAL EXPENSES			

Contractor Name:

Contract Number:

Section 6 - Summary

Description	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Total Certified Days of Enrollment (including MHCS)			
Days of Operation			
Days of Attendance (including MHCS)			
Total Certified Adjusted Days of Enrollment	N/A	N/A	
Total Non-Certified Adjusted Days of Enrollment	N/A	N/A	
Restricted Program Income			
Transfer from Preschool Reserve Account			
Interest Earned on Apportionment Payments			
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses			
Total Administrative Cost			
Total Staff Training Cost			
Non-Reimbursable Cost (State Use Only)	N/A	N/A	

Contractor Name:

Contract Number:

Section 7 – Auditor's Assurances

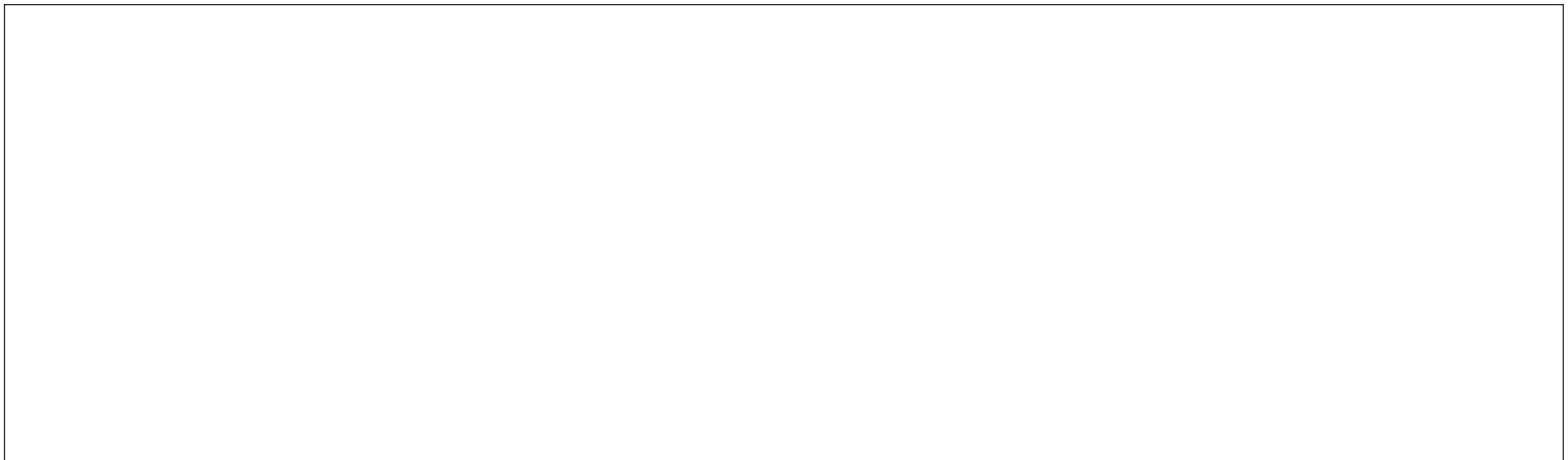
Independent auditor's assurances on agency's compliance with the contract funding terms and conditions and program requirements of the California Department of Education, Early Education Division:

Eligibility, enrollment and attendance records are being maintained as required (Select YES or NO): Yes No

Reimbursable expenses claimed in Section 4 are eligible for reimbursement, reasonable, necessary, and adequately supported (Select YES or NO): Yes No

Section 8 – Comments

Include any comments in the comment box. If necessary, attach additional sheets to explain adjustments.

A large, empty rectangular box with a thin black border, intended for the contractor to type or write any comments or explanations.

Contractor Name:

Contract Number:

California State Preschool Program – Form 2
Certified Children Receiving Mental Health Consultation Services
Days of Enrollment and Attendance

Service County:

Enrollment Description	Column A Cumulative FY per CPARIS June Report	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Three Years Old Full-time-plus				2.2240	
Three Years Old Full-time				1.9000	
Three Years Old Part-time					
Four Years and Older Full-time-plus				1.2800	
Four Years and Older Full-time				1.1000	
Four Years and Older Part-time					
Exceptional Needs Full-time-plus				2.9320	
Exceptional Needs Full-time				2.5000	
Exceptional Needs Part-time					
Dual Language Learner Full-time-plus				1.5160	
Dual Language Learner Full-time				1.3000	
Dual Language Learner Part-time					

Contractor Name:

Contract Number:

Enrollment Description	Column A Cumulative FY per CPARIS June Report	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
At Risk of Abuse or Neglect Full-time-plus				1.3980	
At Risk of Abuse or Neglect Full-time				1.2000	
At Risk of Abuse or Neglect Part-time					
Severely Disabled Full-time-plus				2.9320	
Severely Disabled Full-time				2.5000	
Severely Disabled Part-time					
TOTAL CERTIFIED DAYS OF ENROLLMENT WITH MENTAL HEALTH CONSULTATION SERVICES				N/A	

Attendance	Column A Cumulative FY per CPARIS June Report	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
 DAYS OF ATTENDANCE				N/A	N/A

Enter the sum of Total Certified Days of Enrollment with Mental Health Consultation Services from all Form 2s in the Total Certified Days of Enrollment with Mental Health line of AUD 8501, Section 2.

Enter the sum of Days of Attendance from all Form 1s and Form 2s in the Days of Attendance line of AUD 8501, Section 2.

Contractor Name:

Contract Number:

California State Preschool Program – Form 4
Non-Certified Children Receiving Mental Health Consultation Services
Days of Enrollment

Service County:

Enrollment Description	Column A Cumulative FY per CPARIS June Report	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Toddlers (18 up to 36 months) Full-time-plus				2.2240	
Toddlers (18 up to 36 months) Full-time				1.9000	
Toddlers (18 up to 36 months) Part-time					
Three Years Old Full-time-plus				2.2240	
Three Years Old Full-time				1.9000	
Three Years Old Part-time					
Four Years and Older Full-time-plus				1.2800	
Four Years and Older Full-time				1.1000	
Four Years and Older Part-time					
Exceptional Needs Full-time-plus				2.9320	
Exceptional Needs Full-time				2.5000	
Exceptional Needs Part-time					
Dual Language Learner Full-time-plus				1.5160	
Dual Language Learner Full-time				1.3000	
Dual Language Learner Part-time					

Contractor Name:

Contract Number:

Enrollment Description	Column A Cumulative FY per CPARIS June Report	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
At Risk of Abuse or Neglect Full-time-plus				1.3980	
At Risk of Abuse or Neglect Full-time				1.2000	
At Risk of Abuse or Neglect Part-time					
Severely Disabled Full-time-plus				2.9320	
Severely Disabled Full-time				2.5000	
Severely Disabled Part-time					
TOTAL NON-CERTIFIED DAYS OF ENROLLMENT WITH MENTAL HEALTH CONSULTATION SERVICES				N/A	

Enter the sum of Total Non-Certified Days of Enrollment with Mental Health Consultation Services from all Form 4s in the Total Non-Certified Days of Enrollment with Mental Health Consultation Services line of AUD 8501, Section 2.

**CHILD CARE AND DEVELOPMENT PROGRAMS
CERTIFIED CHILDREN RECEIVING MENTAL HEALTH
CONSULTATION SERVICES DAYS OF ENROLLMENT
AND ATTENDANCE**

Fiscal Year Ending Contract Number Vendor Code Full Name of Contractor Service County:

	Column A Cumulative FY CDNFS 9500MHCS	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Infants (up to 18 months) Full-time-plus					
Infants (up to 18 months) Full-time					
Infants (up to 18 months) One-half-time					
Toddlers (18 up to 36 months) Full-time-plus					
Toddlers (18 up to 36 months) Full-time					
Toddlers (18 up to 36 months) One-half-time					
Three Years and Older Full-time-plus					
Three Years and Older Full-time					
Three Years and Older One-half-time					
Exceptional Needs Full-time-plus					
Exceptional Needs Full-time					
Exceptional Needs One-half-time					

Audit Report Page

Full Name of Contractor

Contract Number

	Column A Cumulative FY CDNFS 9500MHCS	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Dual Language Learner Full-time-plus					
Dual Language Learner Full-time					
Dual Language Learner One-half-time					
At Risk of Abuse or Neglect Full-time-plus					
At Risk of Abuse or Neglect Full-time					
At Risk of Abuse or Neglect One-half-time					
Severely Disabled Full-time-plus					
Severely Disabled Full-time					
Severely Disabled One-half-time					
TOTAL CERTIFIED DAYS OF ENROLLMENT WITH MENTAL HEALTH CONSULTATION SERVICES					
DAY OF ATTENDANCE					

Enter the sum of Total Certified Days of Enrollment with Mental Health Consultation Services from Form AUD 9500.2(s) in the Total Certified Days of Enrollment with Mental Health Consultation Services line of AUD 9500, Section 2.

Enter the sum of Days of Attendance from all Form AUD 9500.1(s) and Form AUD 9500.2(s) in the Days of Attendance line of AUD 9500, Section 2.

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CHILD CARE AND DEVELOPMENT PROGRAMS
NON-CERTIFIED CHILDREN RECEIVING MENTAL HEALTH
CONSULTATION SERVICES DAYS OF ENROLLMENT

Fiscal Year Ending Contract Number Vendor Code Full Name of Contractor Service County:

	Column A Cumulative FY CDNFS 9500MHCS	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Infants (up to 18 months) Full-time-plus					
Infants (up to 18 months) Full-time					
Infants (up to 18 months) One-half-time					
Toddlers (18 up to 36 months) Full-time-plus					
Toddlers (18 up to 36 months) Full-time					
Toddlers (18 up to 36 months) One-half-time					
Three Years and Older Full-time-plus					
Three Years and Older Full-time					
Three Years and Older One-half-time					
Exceptional Needs Full-time-plus					
Exceptional Needs Full-time					
Exceptional Needs One-half-time					

Audit Report Page

Full Name of Contractor Contract Number

	Column A Cumulative FY CDNFS 9500MHCS	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Dual Language Learner Full-time-plus					
Dual Language Learner Full-time					
Dual Language Learner One-half-time					
At Risk of Abuse or Neglect Full-time-plus					
At Risk of Abuse or Neglect Full-time					
At Risk of Abuse or Neglect One-half-time					
Severely Disabled Full-time-plus					
Severely Disabled Full-time					
Severely Disabled One-half-time					
TOTAL NON-CERTIFIED DAYS OF ENROLLMENT WITH MENTAL HEALTH CONSULTATION SERVICES					

Enter the sum of Total Non-Certified Days of Enrollment with Mental Health Consultation Services from Form AUD 9500.4(s) in the Total Non-Certified Days of Enrollment with Mental Health Consultation Services line of AUD 9500, Section 2.

Compass Family Services
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number/ Program Number	Expenditures
<u>Expenditures of Federal Awards</u>			
U.S. Department of Agriculture			
Pass-through program from: California Department of Education - Child Nutrition Program			
Child Care and Adult Care Food Program	10.558	04457-CACFP-38-NP- CS	<u>\$ 86,545</u>
Total U.S. Department of Agriculture			<u>86,545</u>
U.S. Department of Housing and Urban Development			
Pass-through programs from: City and County of San Francisco Department of Human Services Supportive Housing Program			
Continuum of Care Program:			
Compass SF HOME - CoC Rapid Rehousing	14.267	CA1531L9T011802/1 000015984	<u>382,817</u>
Compass SF HOME - CoC Rapid Rehousing Compass Central City Access Point - Homeless Family Access Point (CCAP)	14.267	CA1533L9T012105/1 000027456	<u>571,782</u>
Subtotal: Continuum of Care Program		14.267	<u>270,988</u>
Subtotal: Continuum of Care Program			<u>1,225,587</u>
Emergency Solutions Grants Program - Compass Family Shelter	14.231	1000017660	<u>116,279</u>
Emergency Solutions Grants Program - C-Rent Homelessness Prevention	14.231	1000022894	<u>53,944</u>
Subtotal: Emergency Solutions Grant Program			<u>170,223</u>
Total U.S. Department of Housing and Urban Development			<u>1,395,810</u>
U.S. Department of Health and Human Services			
Pass-through program from: California Department of Education			
Child Care and Development Block Grant	93.575	CSPP 2470	<u>76,964</u>
City and County of San Francisco			
California Department of Social Services			
Child Care Development Division			
CCDF Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR-2228	<u>28,912</u>
Child Care and Development Block Grant	93.575	CCTR-2228	<u>230,760</u>
Subtotal CCDF Cluster			<u>336,636</u>

See notes to schedule of expenditures of federal and state awards.

Compass Family Services
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number/ Program Number	Expenditures
U.S. Department of Homeland Security			
Pass-through program from:			
San Francisco Emergency Food and Shelter Local Board			
Emergency Food and Shelter National Board Program	97.024	085800-017	<u>\$ 50,000</u>
Total U.S. Department of Homeland Security			<u>50,000</u>
Total Expenditures of Federal Awards			<u>\$ 1,868,991</u>
<u>Expenditures of State Awards</u>			
Proposition 10			
San Francisco Children & Families Commission			
First 5 San Francisco	n/a		\$ 140,379
California Governor's Office of Business & Economic Development (GO BIZ)			
CA Community Reinvestment Grants	n/a	CalCRG-2022-1979	109,258
California Workforce Development Board			
Breaking Barriers to Employment Initiative	n/a		16,262
California Department of Social Services			
Child Care Development Division			
Child Development Services	n/a	CCTR-2228	673,334
California Department of Education			
Child Development Division			
California State Preschool Program	n/a	CSPP-2470	748,394
Childcare Food Program			
Center State meal reimbursement	n/a	1581-7A	<u>8,628</u>
Total Expenditures of State Awards			<u>1,696,255</u>
Total Expenditures of Federal and State Awards			<u>\$ 3,565,246</u>

See notes to schedule of expenditures of federal and state awards.

Compass Family Services

Notes to Schedule of Expenditures of Federal and State Awards

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the “Schedule”) includes the federal and state award activity of Compass Family Services (“Compass”) under programs of the federal government and State of California for the year ended June 30, 2023. 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”), and the California Department of Education and California Department of Social Services Audit Guide. Because the Schedule presents only a selected portion of the operations of Compass, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Compass.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and the California Department of Education and California Department of Social Services Audit Guide, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

Note 3 – Indirect Cost Rate

Compass has elected to use the 10% de minimis indirect cost rate for federal awards as described in 2 *Code of Federal Regulation* (“CFR”) 200.414. Compass applies indirect costs in accordance with specific terms of its federal award agreements.

Note 4 – Subrecipients

Compass did not pass through any federal awards to subrecipients during the year ended June 30, 2023.

Report of Independent Auditors 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*

The Board of Directors
Compass Family Services (a California nonprofit public benefit corporation)

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 consolidated financial statements of Compass Family Services ("Compass"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Compass Family Services' internal control over financial reporting (internal control) as a basis for designing 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 Family Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Compass Family Services' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Compass Family Services' consolidated 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 consolidated financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



San Francisco, California
January 12, 2024

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Compass Family Services (a California nonprofit public benefit corporation)

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Compass Family Services' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Compass Family Services' major federal program for the year ended June 30, 2023. Compass Family Services' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Compass Family Services complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Compass Family Services and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Compass Family Services' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Compass Family Services' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Compass Family Services' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Compass Family Services' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Compass Family Services' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Compass Family Services' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Compass Family Services' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is fluid and cursive, with "Moss" and "Adams" connected by a single stroke, and "LLP" in a smaller, separate flourish at the end.

San Francisco, California

January 12, 2024

Compass Family Services
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of Major Federal Programs and Type of Auditor’s Report Issued on Compliance for Major Federal Programs:

<i>Federal Assistance Listing Number</i>	<i>Name of Major Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for Major Federal Programs</i>
14.267	Continuum of Care Program	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – Other Compliance Findings

Compass Family Services
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

None reported

Draft
not for distribution or use
prior to the issuance
of the final version



2022-001 SIGNIFICANT DEFICIENCIES – INTERNAL CONTROLS OVER FINANCIAL REPORTING

FY 2023 status – Corrective action was taken.

Management update:

CFS Finance Department implemented a Grants and Contracts Implementation tool for Non-For-Profits to assist staff with revenue recognition. The paperwork for all large (\$25K or more) is reviewed by YPTC or the Controller and is brought to the attention of the CFO for questions before posting to the accounting system. YPTC trained the Revenue Staff Accountant to reconcile revenue recorded in the accounting system to contributions reports in Salesforce quarterly.

The Finance Department simplified the Net Assets with Donor Restrictions list to better track releases of restricted grants. The new CFO implemented a process to review restricted grants regularly with Development. Finance and Development meet every week to work on progress reports to donors, track releases of restrictions, and verify restrictions on any new grants.

The Controller implemented a new monthly process to review aged grants receivable to ensure all payments are recorded correctly in the MIP System. We implemented the process in the last quarter of the fiscal year.

The Finance Department completed a Fiscal Policies and Procedures Manual that includes the Accounting Period Close and Grants Management oversight during the last quarter of the fiscal year. The New CFO and Controller implemented new procedures to strengthen internal controls in the department during the third and fourth quarters of the fiscal year and reviewed transactions at the program and funding level to ensure the integrity of reports for fiscal year 2023.

2022-002 REPORTABLE COMPLIANCE MATTER

FY 2023 status – Corrective action was taken.



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