



*Reports of Independent Auditors and
Consolidated Financial Statements with Supplementary Information*

Compass Family Services

June 30, 2021 and 2020

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Report of Independent Auditors

Board of Directors

Compass Family Services (a California nonprofit public benefit corporation)

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Compass Family Services (a California nonprofit public benefit corporation), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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 consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Compass Family Services as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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 30 to 33 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 on pages 39 to 41, 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* and the *Audit Guide* 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 Guide, and is not a required part of the consolidated financial statements. The accompanying supplementary information shown on pages 45 to 52 for the California Department of Education and California Department of Social Services is also presented for purposes of additional analysis 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 November 12, 2021, 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
November 15, 2021

Consolidated Financial Statements

Compass Family Services
Consolidated Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,698,859	\$ 4,141,245
Restricted cash	2,666,633	2,372,749
Restricted cash - QALICB	251,331	329,094
Grants receivable	2,495,401	2,243,850
Contributions receivable, net	715,301	1,783,641
Other receivable	6,304	6,459
Prepaid expenses	149,502	110,741
Investments	938,990	202,950
Client funds held in trust, current portion	10,439	1,689
Total current assets	<u>11,932,760</u>	<u>11,192,418</u>
Noncurrent assets		
Replacement reserve	387,935	334,810
Operating reserve	83,207	83,182
Client funds held in trust, net of current portion	7,322	9,635
Restricted cash - QALICB, net of current portion	264,010	333,193
Other assets	23,239	34,836
Contributions receivable, net of current portion	-	125,855
NMTC leverage loan receivable	10,434,220	10,434,220
Endowment investments	590,201	473,463
Property, equipment and leasehold improvements, net	18,078,853	18,607,421
Total noncurrent assets	<u>29,868,987</u>	<u>30,436,615</u>
Total assets	<u><u>\$ 41,801,747</u></u>	<u><u>\$ 41,629,033</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 935,111	\$ 720,424
Deferred revenue	225,492	149,491
Client funds held in trust, current portion	10,439	1,689
Loan payable, current portion	1,367,243	70,706
Total current liabilities	<u>2,538,285</u>	<u>942,310</u>
Noncurrent liabilities		
Client funds held in trust, net of current portion	7,322	9,635
Loans payable, net of current portion	21,198	4,432,337
Notes payable - NMTC	14,663,186	14,649,397
Total noncurrent liabilities	<u>14,691,706</u>	<u>19,091,369</u>
Total liabilities	<u>17,229,991</u>	<u>20,033,679</u>
Net assets		
Without donor restrictions	20,475,665	17,330,124
With donor restrictions	4,096,091	4,265,230
Total net assets	<u>24,571,756</u>	<u>21,595,354</u>
Total liabilities and net assets	<u><u>\$ 41,801,747</u></u>	<u><u>\$ 41,629,033</u></u>

Compass Family Services
Consolidated Statement of Activities and Changes in Net Assets
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	2021 Total
Revenues, gains and other support			
Government grants	\$ 10,454,079	\$ -	\$ 10,454,079
Contributions	4,086,082	3,147,428	7,233,510
Contributed services	169,733	-	169,733
Special events	712,625	10,000	722,625
In-kind contributions	579,741	-	579,741
Program service fees	21,692	-	21,692
Interest and investment income, net	29,038	9,495	38,533
Realized and unrealized gains			
on investments	31,520	104,162	135,682
NMTC leverage loan interest	207,109	-	207,109
Other income	108,571	-	108,571
Net assets released from restriction	3,440,224	(3,440,224)	-
	<u>19,840,414</u>	<u>(169,139)</u>	<u>19,671,275</u>
Total revenues, gains, and other support			
Expenses			
Program services			
Compass Family Shelter	1,240,909	-	1,240,909
Compass Children's Center	2,787,827	-	2,787,827
Compass SF Home	3,692,106	-	3,692,106
Compass Clara House	1,268,631	-	1,268,631
Central City Access Point	1,081,166	-	1,081,166
Compass Family Resource Center	910,776	-	910,776
Compass Childcare Support Services	833,392	-	833,392
Neighbor Nest	-	-	-
Compass Behavioral Services	1,572,611	-	1,572,611
	<u>13,387,418</u>	<u>-</u>	<u>13,387,418</u>
Total program services			
Support services			
Management and general	2,338,315	-	2,338,315
Fundraising	969,140	-	969,140
	<u>3,307,455</u>	<u>-</u>	<u>3,307,455</u>
Total support services			
Total expenses	<u>16,694,873</u>	<u>-</u>	<u>16,694,873</u>
Change in net assets	3,145,541	(169,139)	2,976,402
Net assets, beginning of year	17,330,124	4,265,230	21,595,354
Net assets, end of year	<u>\$ 20,475,665</u>	<u>\$ 4,096,091</u>	<u>\$ 24,571,756</u>

Compass Family Services
Consolidated Statement of Activities and Changes in Net Assets
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2020 Total
Revenues, gains and other support			
Government grants	\$ 8,377,195	\$ -	\$ 8,377,195
Contributions	3,957,803	3,767,006	7,724,809
Contributed services	251,231	-	251,231
Special events	662,742	-	662,742
In-kind contributions	625,630	-	625,630
Program service fees	28,126	-	28,126
Interest and investment income, net	20,653	11,333	31,986
Realized and unrealized gains			
on investments	5,184	2,048	7,232
NMTC leverage loan interest	207,109	-	207,109
Other income	632	-	632
Net assets released from restriction	3,125,508	(3,125,508)	-
Total revenues, gains, and other support	17,261,813	654,879	17,916,692
Expenses			
Program services			
Compass Family Shelter	964,541	-	964,541
Compass Children's Center	2,346,987	-	2,346,987
Compass SF Home	2,971,268	-	2,971,268
Compass Clara House	1,114,802	-	1,114,802
Central City Access Point	1,000,027	-	1,000,027
Compass Family Resource Center	512,325	-	512,325
Compass Childcare Support Services	871,286	-	871,286
Neighbor Nest	215,049	-	215,049
Compass Behavioral Services	746,320	-	746,320
Total program services	10,742,605	-	10,742,605
Support services			
Management and general	2,302,379	-	2,302,379
Fundraising	916,583	-	916,583
Total support services	3,218,962	-	3,218,962
Total expenses	13,961,567	-	13,961,567
Change in net assets	3,300,246	654,879	3,955,125
Net assets, beginning of year	14,029,878	3,610,351	17,640,229
Net assets, end of year	\$ 17,330,124	\$ 4,265,230	\$ 21,595,354

Compass Family Services
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services									Support Services		
	Compass Family Shelter	Compass Children's Center	Compass SF Home	Compass Clara House	Central City Access Point	Compass Family Resource Center	Compass Childcare Support Services	Compass Behavioral Services	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 552,427	\$ 1,489,825	\$ 930,356	\$ 604,516	\$ 509,270	\$ 418,609	\$ 442,922	\$ 1,016,611	\$ 5,964,536	\$ 1,094,145	\$ 524,914	\$ 7,583,595
Employee benefits	166,995	489,576	299,670	210,807	152,835	116,657	151,792	250,926	1,839,258	273,777	138,456	2,251,491
Professional fees	21,261	98,298	34,592	38,080	26,008	14,916	19,966	59,781	312,902	189,049	26,472	528,423
Housing assistance	-	-	1,858,577	-	7,066	-	-	-	1,865,643	-	-	1,865,643
Client assistance - other	278,306	251,328	407,072	100,243	201,852	256,494	125,717	95,281	1,716,293	-	-	1,716,293
Rent and occupancy	50,767	92,772	19,057	97,713	25,691	7,752	12,935	21,229	327,916	9,863	9,770	347,549
Contributed services	-	-	-	-	-	-	-	-	-	169,773	-	169,773
Office supplies	1,417	2,022	991	1,610	5,128	2,587	626	2,070	16,451	2,660	615	19,726
Program expenses	74,385	116,717	11,440	49,045	7,294	13,194	6,568	2,015	280,658	-	1,009	281,667
Telephone	13,407	55,340	15,275	33,530	10,575	5,789	7,081	16,895	157,892	12,362	6,742	176,996
Licenses and fees - technology	6,238	8,321	15,423	7,682	39,360	11,157	10,228	17,641	116,050	17,329	-	133,379
Licenses and fees - other	2,661	9,417	3,741	5,149	1,558	1,739	1,448	3,102	28,815	24,997	-	53,812
Insurance	6,682	24,766	10,824	18,545	10,800	6,762	7,893	8,253	94,525	23,090	5,571	123,186
Equipment maintenance	5,128	5,862	8,824	8,433	11,118	22,045	5,505	15,223	82,138	10,616	7,185	99,939
Printing	282	1,448	460	297	554	666	183	902	4,792	9,198	14,259	28,249
Travel, training, and hiring	2,065	2,457	13,994	1,920	746	9,152	76	8,235	38,645	3,361	167	42,173
Interest expense	-	-	25,116	-	34,368	9,252	17,180	22,300	108,216	234,679	13,220	356,115
Miscellaneous	2,146	1,877	2,870	1,295	1,276	746	853	2,270	13,333	4,551	104,769	122,653
Special events	-	-	-	-	-	-	-	-	-	-	84,739	84,739
Depreciation and amortization	56,742	137,801	33,824	89,766	35,667	13,259	22,419	29,877	419,355	258,865	31,252	709,472
	<u>\$ 1,240,909</u>	<u>\$ 2,787,827</u>	<u>\$ 3,692,106</u>	<u>\$ 1,268,631</u>	<u>\$ 1,081,166</u>	<u>\$ 910,776</u>	<u>\$ 833,392</u>	<u>\$ 1,572,611</u>	<u>\$ 13,387,418</u>	<u>\$ 2,338,315</u>	<u>\$ 969,140</u>	<u>\$ 16,694,873</u>

See accompanying notes.

Compass Family Services
Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services										Support Services		Total
	Compass Family Shelter	Compass Children's Center	Compass SF Home	Compass Clara House	Central City Access Point	Compass Family Resource Center	Compass Childcare Support Services	Neighbor Nest	Compass Clinical Services	Total Program Services	Management and General	Fundraising	
Salaries and wages	\$ 396,666	\$ 1,234,650	\$ 699,464	\$ 470,232	\$ 460,099	\$ 250,380	\$ 423,225	\$ 105,267	\$ 451,675	\$ 4,491,658	\$ 912,015	\$ 483,173	\$ 5,886,846
Employee benefits	126,230	460,516	216,682	175,283	114,740	67,150	137,220	47,922	128,634	1,474,377	247,850	118,901	1,841,128
Professional fees	23,894	106,213	32,429	38,329	30,396	13,801	20,545	5,629	22,330	293,566	220,218	19,472	533,256
Housing assistance	-	-	1,640,517	-	16,452	-	-	-	-	1,656,969	-	-	1,656,969
Client assistance - other	238,260	98,757	248,708	71,749	290,958	129,775	234,961	43,027	58,630	1,414,825	-	9,329	1,424,154
Rent and occupancy	42,088	89,540	20,136	180,432	25,062	7,707	13,459	537	17,150	396,111	11,706	10,174	417,991
Contributed services	7,100	-	-	-	-	-	-	-	-	7,100	118,831	45,595	171,526
Office supplies	1,075	2,825	3,093	1,983	3,406	1,000	1,383	151	1,583	16,499	2,938	1,476	20,913
Program expenses	32,807	121,949	653	39,312	1,382	7,623	1,398	3,532	2,126	210,782	1,496	10,169	222,447
Telephone	14,182	34,692	16,049	19,778	8,790	4,286	6,355	1,055	7,648	112,835	9,602	6,357	128,794
Licenses and fees - technology	3,297	2,639	7,264	2,043	15,896	4,186	5,077	1,352	5,897	47,651	5,123	-	52,774
Licenses and fees - other	2,693	11,631	9,842	4,805	2,299	1,173	2,180	647	2,063	37,333	26,092	-	63,425
Insurance	4,871	16,817	8,015	8,323	6,144	4,071	5,532	1,332	5,730	60,835	17,751	4,201	82,787
Equipment maintenance	6,104	9,467	12,927	6,307	14,103	11,387	7,159	137	27,522	95,113	20,012	11,835	126,960
Printing	1,029	3,709	1,595	1,375	1,010	466	894	105	831	11,014	2,419	16,091	29,524
Travel, training, and hiring	4,535	5,215	38,489	3,351	2,283	2,409	1,580	590	1,829	60,281	1,354	1,647	63,282
Interest expense	-	-	-	-	-	-	-	-	-	-	425,007	-	425,007
Miscellaneous	1,650	4,999	2,253	5,866	2,416	1,065	2,265	155	1,145	21,814	6,341	120,540	148,695
Special events	-	-	-	-	-	-	-	-	-	-	-	53,892	53,892
Depreciation and amortization	58,060	143,368	13,152	85,634	4,591	5,846	8,053	3,611	11,527	333,842	273,624	3,731	611,197
	<u>\$ 964,541</u>	<u>\$ 2,346,987</u>	<u>\$ 2,971,268</u>	<u>\$ 1,114,802</u>	<u>\$ 1,000,027</u>	<u>\$ 512,325</u>	<u>\$ 871,286</u>	<u>\$ 215,049</u>	<u>\$ 746,320</u>	<u>\$ 10,742,605</u>	<u>\$ 2,302,379</u>	<u>\$ 916,583</u>	<u>\$ 13,961,567</u>

See accompanying notes.

Compass Family Services
Consolidated Statements of Cash Flows
Year Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 2,976,402	\$ 3,955,125
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	709,472	611,197
Net realized and unrealized gains on investments	(135,682)	(7,232)
(Gain) loss on disposal of property and equipment	(3,512)	3,732
Changes in operating assets and liabilities		
Grant receivable	(251,551)	(1,194,908)
Contributions receivable	1,194,195	938,738
Other receivable	155	(6,459)
Prepaid expenses	(38,761)	29,551
Other assets	11,597	12,121
Accounts payable and accrued expenses	214,687	99,212
Deferred revenue	76,001	69,814
Net cash provided by operating activities	<u>4,753,003</u>	<u>4,510,891</u>
Cash flows from investing activities		
Net increase in replacement reserves	(53,125)	(50,747)
Net increase in operating reserves	(25)	(27)
Purchases of property, equipment and leasehold improvements	(38,342)	(113,210)
Proceeds from the sale of investments	21,311	116,926
Purchases of investments	(738,407)	(172,302)
Net cash used in investing activities	<u>(808,588)</u>	<u>(219,360)</u>
Cash flows from financing activities		
Proceeds from loan payable	23,469	1,364,972
Payment on loans payable	(3,263,332)	(2,551,533)
Net cash used in financing activities	<u>(3,239,863)</u>	<u>(1,186,561)</u>
Net increase in cash, cash equivalents, and restricted cash	704,552	3,104,970
Cash, cash equivalents, and restricted cash, beginning of year	<u>7,176,281</u>	<u>4,071,311</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 7,880,833</u>	<u>\$ 7,176,281</u>
Cash, cash equivalents, and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 4,698,859	\$ 4,141,245
Restricted cash	2,666,633	2,372,749
Restricted cash - QALICB	515,341	662,287
	<u>\$ 7,880,833</u>	<u>\$ 7,176,281</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 356,115</u>	<u>\$ 425,007</u>

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 107 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 as 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.

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

NeighborNest – a family friendly learning center that provides access to technology for homeless and at-risk families. NeighborNest closed at the start of pandemic and has not reopened. This program is a partnership with Twitter and located in their space. The Nest clients and remaining program funds were transferred into Compass Family Resource Center, as such there are no expenses from NeighborNest included in the consolidated statement of activities and changes in net assets for the year ended June 30, 2021.

Compass Family Services

Notes to Consolidated Financial Statements

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, 2021 and 2020, 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 to give are reported as net assets without donor restrictions or net assets with donor restrictions, depending on donor restrictions (if any).

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. However, contributions and grants with donor restrictions are reported as support and revenues without donor restrictions if the restriction is met in the same year that the gift is received.

Compass Family Services

Notes to Consolidated Financial Statements

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 \$430,820 and \$290,850 in gifts contributed to families during the years ended June 30, 2021 and 2020, and is recognized in the consolidated financial statements of activities and changes in net assets as contributions and expenses.

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 of funds held in escrow for the purchase of property and cash restricted for other operational purposes.

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.

Compass Family Services

Notes to Consolidated Financial Statements

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. There is no allowance for doubtful accounts at June 30, 2021 and 2020, as management has determined all outstanding balances to be collectible.

At June 30, 2021, management expects all grant receivable and contributions receivable to be collectible within one year. At June 30, 2020, management expects all grant receivable to be collected within one year. Contribution receivable are expected to be collected within three years.

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 – Generally accepted accounting principles 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 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.

Compass Family Services

Notes to Consolidated Financial Statements

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

Building and improvements	15 to 40 years
Leasehold improvements	20 years or life of lease*
Furniture and equipment	5 years

* 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 year ended June 30, 2021 and 2020.

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 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

At June 30 2021 and 2020, QALICB expenses of \$523,952 and \$516,429, 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, 2021 and 2020, 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, 2021 and 2020, was \$544,459 and \$420,550 and is included in accounts payable and accrued expenses in the consolidated statements of financial position.

New accounting pronouncements – In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 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 Compass was deferred by ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, to fiscal years beginning after December 15, 2021. These ASUs are effective for Compass for the year ending June 30, 2023. Management is currently evaluating the impact of the provisions of these ASUs on the consolidated financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* (“ASU 2020-07”), which increases the transparency of contributed nonfinancial assets for not-for-profit organizations through enhancements to presentation and disclosure. The update addresses certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in a not-for-profit organization’s programs and other activities. ASU 2020-07 is effective for Compass for the year ending June 30, 2022. Management is currently evaluating the impact of the provisions of ASU 2020-07 on the consolidated financial statements.

Recently adopted accounting pronouncements – In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”). As compared to existing guidance on revenue recognition, ASU 2014-09 will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The largely principles-based guidance in ASU 2014-09 will provide a framework for addressing revenue recognition issues comprehensively for entities that apply U.S. GAAP in addition to those entities that apply International Financial Reporting Standards. The guidance in ASU 2014-09 also improves U.S. GAAP by reducing the number of requirements to which an entity must consider in recognizing revenue, as well as requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The effective date of ASU 2014-09 was further deferred by ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, to annual periods beginning after December 15, 2019. Compass adopted provisions of ASU 2014-09 using the modified retrospective method for all contracts, effective July 1, 2020. The adoption of ASU 2014-09 did not have a material impact on Compass’ consolidated financial statements and did not require restatement of beginning net asset balances.

In June 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurements* (“ASU 2018-13”), which eliminates, adds, and modifies certain disclosure requirements for fair value measurements. The adoption of this ASU did not have a material effect on Compass’ consolidated financial statements.

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 \$9,504.

As designated by the Board of Directors (the "Board"), 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.

Changes in the replacement reserve accounts are as follows for the years ended June 30, 2021 and 2020:

	2021		
	Compass Clara House	Compass Children's Center	Total
Balance, beginning of year	\$ 311,636	\$ 23,174	\$ 334,810
Deposits	49,504	-	49,504
Dividend/interest received	103	493	596
Realized/unrealized gain	-	3,025	3,025
Balance, end of year	<u>\$ 361,243</u>	<u>\$ 26,692</u>	<u>\$ 387,935</u>

	2020		
	Compass Clara House	Compass Children's Center	Total
Balance, beginning of year	\$ 262,000	\$ 22,063	\$ 284,063
Deposits	49,504	-	49,504
Dividend/interest received	132	505	637
Realized/unrealized gain	-	606	606
Balance, end of year	<u>\$ 311,636</u>	<u>\$ 23,174</u>	<u>\$ 334,810</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 three months of budgeted operating costs.

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

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Notes to Consolidated Financial Statements

Changes in the operating reserve accounts are as follows for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 83,182	\$ 83,155
Divident/interest received	<u>25</u>	<u>27</u>
Balance, end of year	<u>\$ 83,207</u>	<u>\$ 83,182</u>

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Receivable in one year or less	\$ 715,301	\$ 1,783,641
Receivable in one to five years	<u>-</u>	<u>125,855</u>
	<u>\$ 715,301</u>	<u>\$ 1,909,496</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. A discount rate ranging from 1.89% to 2.54% was used for contributions that are expected to be collected in more than one year. Amortization of any such discount is recorded as additional contribution revenue. No allowance was deemed necessary as of June 30, 2021 and 2020, as all contributions were deemed collectible.

Compass Family Services

Notes to Consolidated Financial Statements

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following, at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Non-depreciable:		
Land	\$ 6,288,000	\$ 6,288,000
Depreciable:		
Building	14,297,993	14,312,156
Building improvements	993,664	965,636
Furniture and equipment	788,668	717,079
Leasehold improvements	1,000,220	1,000,220
Construction in progress	<u>6,435</u>	<u>79,692</u>
Total property and equipment	23,374,980	23,362,783
Accumulated depreciation	<u>(5,296,127)</u>	<u>(4,755,362)</u>
Total property and equipment, net	<u><u>\$ 18,078,853</u></u>	<u><u>\$ 18,607,421</u></u>

Depreciation expenses for the year ended June 30, 2021 and 2020, was \$570,422 and \$572,367.

In June 2018, Compass arranged NMTC financing as partial funding to acquire and rehabilitate a facility located at 37 Grove Street. 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.

NOTE 6 – INVESTMENTS

Investments and endowment investments consist of the following, at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Equity securities	\$ 101,198	\$ -
Bond mutual funds	715,092	310,588
Exchange traded funds	340,927	199,283
Equity mutual funds	<u>371,974</u>	<u>166,542</u>
	<u><u>\$ 1,529,191</u></u>	<u><u>\$ 676,413</u></u>

Compass Family Services

Notes to Consolidated Financial Statements

The following table sets forth by level, within the fair value hierarchy, the Compass's assets at fair value as of June 30, 2021 and 2020:

2021				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity securities	\$ 101,198	\$ -	\$ -	\$ 101,198
Bond mutual funds	715,092	-	-	715,092
Exchange traded funds	340,927	-	-	340,927
Equity mutual funds	371,974	-	-	371,974
	<u>\$ 1,529,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,529,191</u>
2020				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Bond mutual funds	\$ 310,588	\$ -	\$ -	\$ 310,588
Exchange traded funds	199,283	-	-	199,283
Equity mutual funds	166,542	-	-	166,542
	<u>\$ 676,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 676,413</u>

NOTE 7 – LINE OF CREDIT

Compass has a \$400,000 revolving line of credit. Bank advances on the line of credit carry an interest rate at 5.50% per annum. The line of credit is secured by all property owned by Compass and matures on April 10, 2022. There was no outstanding balance on the line of credit at June 30, 2021 and 2020.

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 ("CDEs") 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.

Compass Family Services

Notes to Consolidated Financial Statements

In connection with the purchase and rehabilitation of 37 Grove Street ("37 Grove"), LCD New Markets Fund XXVI, LLC ("LCD CDE"), a single purpose CDE 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 ("CNMC CDE"), a single purpose CDE 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 CDEs 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.

Under the NMTC program, taxpayers receive a 39% tax credit on QEIs that are made in a CDE. In Revenue Ruling 2003-20, the Internal Revenue Service ruled that a taxpayer is permitted to borrow money to make an investment in a CDE. 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.

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

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.

Compass Family Services

Notes to Consolidated Financial Statements

At June 30, 2021 and 2020, notes payable – NMTC are detailed as follows:

	2021	2020
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	503,100	503,100
	15,132,000	15,132,000
Less unamortized debt issuance costs	(468,814)	(482,603)
	<u>\$ 14,663,186</u>	<u>\$ 14,649,397</u>

NOTE 10 – LOANS PAYABLE

Paycheck protection program loan – In April 2020, Compass was granted an unsecured loan under the Paycheck Protection Program (“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 bears interest at 1% with no payments due for the first six months and the loan matures in April 2022. The loan is subject to partial or full forgiveness if Compass uses all proceeds for eligible purposes; maintains certain employment levels; and maintains 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 FASB ASC 470, *Debt*, with interest accrued and expensed over the term of the loan, or until forgiveness is granted, releasing Compass from being the primary obligor. As noted in Note 16 to the consolidated financial statements, in August 2021, the SBA granted full forgiveness of Compass’ PPP loan. 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.

Low Income Investment Fund loan – Compass entered into loans payable with Low Income Investment Fund. Principal payments and accrued interest are due monthly, with interest at 4.75% per annum, maturing on June 28, 2025. Proceeds from the notes payable were utilized to finance the NMTC leverage loan receivable and renovate 37 Grove. The outstanding principal loan balance was paid in full during the year ended June 30, 2021.

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.

Compass Family Services

Notes to Consolidated Financial Statements

At June 30, 2021 and 2020, loans payable are detailed as follows:

	<u>2021</u>	<u>2020</u>
Paycheck Protection Program loan payable	\$ 1,364,972	\$ 1,364,972
PG&E Retrofit loan payable	23,469	-
Low Income Investment Fund loan	-	3,263,332
Less: unamortized debt issuance costs	-	(125,261)
	<u>\$ 1,388,441</u>	<u>\$ 4,503,043</u>

The future maturities of the notes payable are as follows:

Years ending June 30,

2022	\$ 1,367,243
2023	21,198
	<u>\$ 1,388,441</u>

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Compass Family Shelter	\$ 33,410	\$ 46,000
Compass Children's Center	646,164	768,724
Compass Clara House	-	22,972
Compass SF Home	217,719	50,000
Compass Behavioral Services	520,670	503,527
Central City Access Point	30,539	31,664
Compass Family Resource Center	344,228	4,214
Compass Childcare Support Services	2,300	1,322
NeighborNest	-	184,161
Cross-program support	470,896	878,600
Building - Compass Clara House	953,410	997,446
Building - Compass Children's Center	283,500	297,000
Donor-restricted endowment funds corpus	83,750	83,750
Unappropriated endowment earnings	509,505	395,850
	<u>\$ 4,096,091</u>	<u>\$ 4,265,230</u>

Compass Family Services

Notes to Consolidated Financial Statements

Net assets with donor restrictions released from restriction during June 30, 2021 and 2020, were as follows:

	2021	2020
Compass Family Shelter	\$ 33,710	\$ 21,210
Compass Children's Center	954,374	702,850
Compass Clara House	68,529	137,874
Compass SF Home	34,299	39,911
Compass Behavioral Services	522,587	394,203
Central City Access Point	1,054	16,925
Compass Family Resource Center	133,678	55,638
Compass Childcare Support Services	5,357	35,075
NeighborNest	-	164,849
Cross-program support	1,629,100	1,499,437
Building - Compass Clara House	44,036	13,500
Building - Compass Children's Center	13,500	44,036
	<u>\$ 3,440,224</u>	<u>\$ 3,125,508</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.

NOTE 12 – ENDOWMENT FUNDS

Compass' endowment consists of three individual funds, established for the purpose of providing a permanent endowment for the organization. As required by the generally accepted accounting principles, 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, 2021, the fair value of assets of endowment funds was below total endowment net assets by a total of \$3,056. There were no such deficiencies as of June 30, 2020.

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 – 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.

Compass Family Services

Notes to Consolidated Financial Statements

Endowment composition – Endowment net asset composition by type of fund as of June 30, 2021 and 2020, is as follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 593,257	\$ 593,257
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 479,600	\$ 479,600

Changes in endowment net assets for the fiscal year ended June 30, 2021 and 2020, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2019	\$ -	\$ 466,219	\$ 466,219
Investment return			
Investment income	-	11,333	11,333
Total investment return	-	11,333	11,333
Realized and unrealized gain	-	2,048	2,048
	-	13,381	13,381
Balance, June 30, 2020	-	479,600	479,600
Investment return			
Investment income	-	9,495	9,495
Total investment return	-	9,495	9,495
Realized and unrealized gain	-	104,162	104,162
	-	113,657	113,657
Balance, June 30, 2021	\$ -	\$ 593,257	\$ 593,257

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, 2021 and 2020, contributed \$279,276 and \$208,653 to the Plan.

Compass Family Services

Notes to Consolidated Financial Statements

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Operating leases – Compass leases space for its administrative and program offices, and family shelter. Compass holds a lease for administrative offices that it sublets to another nonprofit organization, as described below, that runs through April, 2023. Compass recognizes rent expense on a straight-line basis. Compass' three-year lease for its family shelter ended June 2013, with an option to extend the initial period for seventeen separate one-year periods. This lease is currently extended through June 2022. Compass also leases copiers with lease terms running through June 2026, with monthly rent expense ranging from \$55 to \$2,070.

In August 2017, Compass QALICB entered into a lease agreement to lease the 37 Grove Street property. The lease has a term of 10 years with initial base rent of \$54,549 per month, which is subject to increases of 3% per annum on each anniversary of the rent commencement date. An option agreement to purchase the leased building was entered into in August 2017, with purchase options from \$9,500,000 to \$10,500,000. The purchase option was exercised in August 2018, for \$9,500,000.

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.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending June 30,

2022	\$ 212,147
2023	107,600
2024	25,200
2025	25,200
2026	14,700
	<u>\$ 384,847</u>

In July 2018, Compass entered into a sublease agreement for its administrative offices. The sublease requires monthly payments of \$10,667 through April 2023.

The schedule minimum sub-lease payments under lease terms are as follows:

Year ending June 30,

2022	\$ 128,004
2023	106,670
	<u>\$ 234,674</u>

Compass Family Services

Notes to Consolidated Financial Statements

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 2021 and 2020.

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”) 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 2021 and 2020.

COVID-19 pandemic – In March 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. The related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, their clients, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations, including the Compass’ operations.

Compass’ management has been closely monitoring the impact of COVID-19 on Compass’ operations, including the impact on its clients and employees. The duration and intensity of the pandemic is uncertain but may influence client decisions, grantor and donor decisions, and may also negatively impact collections on Compass’ receivables.

NOTE 15 – 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, trade accounts 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, 2021 and 2020, to fund general expenditures and other obligations as they become due:

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 4,698,859	\$ 4,141,245
Grant receivable	2,495,401	2,243,850
Contributions receivable, net - current portion	715,301	1,783,641
Other receivable	6,304	6,459
Investments - current portion	<u>938,990</u>	<u>202,950</u>
	<u>8,854,855</u>	<u>8,378,145</u>
Less: amounts unavailable for general expenditures within one year, due to:		
Donor restrictions	<u>(386,599)</u>	<u>(532,016)</u>
Total funds available for general expenditures within one year	<u><u>\$ 8,468,256</u></u>	<u><u>\$ 7,846,129</u></u>

Compass has financial assets available at June 30, 2021 and 2020, to cover approximately 185 days of operating expenses based on the fiscal year 2022 and 2021 budget, respectively. The fiscal year 2022 and 2021 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.

In the event of an unanticipated liquidity need, Compass may draw upon its \$400,000 available line of credit. See Note 7 for further description of the line of credit.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statements 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 statements 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 statements of financial position but arose after the statements of financial position date before the consolidated financial statements were available to be issued.

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.

Compass has evaluated subsequent events through November 15, 2021, 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, 2021

	Compass Family Services	Compass QALICB	Eliminating Entries	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,539,366	\$ 159,493	\$ -	\$ 4,698,859
Restricted cash	2,666,633	-	-	2,666,633
Restricted cash - QALICB	-	251,331	-	251,331
Grants receivable	2,495,401	-	-	2,495,401
Contributions receivable, net	715,301	-	-	715,301
Other accounts receivable	6,304	-	-	6,304
Deferred rent	-	1,370,485	(1,370,485)	-
Prepaid expenses and other assets	233,572	-	(84,070)	149,502
Investments	938,990	-	-	938,990
Client funds held in trust, current portion	10,439	-	-	10,439
Total current assets	<u>11,606,006</u>	<u>1,781,309</u>	<u>(1,454,555)</u>	<u>11,932,760</u>
Noncurrent assets				
Replacement reserve	387,935	-	-	387,935
Operating reserve	83,207	-	-	83,207
Client funds held in trust, net of current portion	7,322	-	-	7,322
Restricted cash - QALICB, net of current portion	-	264,010	-	264,010
Other assets	23,239	-	-	23,239
Contributions receivable, net of current portion	-	-	-	-
NMTC leverage loan receivable	10,434,220	-	-	10,434,220
Endowment investments	590,201	-	-	590,201
Property and equipment, net	4,346,156	13,732,697	-	18,078,853
Total noncurrent assets	<u>15,872,280</u>	<u>13,996,707</u>	<u>-</u>	<u>29,868,987</u>
Total assets	<u>\$ 27,478,286</u>	<u>\$ 15,778,016</u>	<u>\$ (1,454,555)</u>	<u>\$ 41,801,747</u>

Compass Family Services
Consolidating Statement of Financial Position (continued)
For the Year Ended June 30, 2021

	Compass Family Services	Compass QALICB	Eliminating Entries	Total
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	\$ 2,305,596	\$ -	\$ (1,370,485)	\$ 935,111
Deferred revenue	225,492	-	-	225,492
Client funds held in trust, current portion	10,439	-	-	10,439
Loan payable, current portion	1,367,243	-	-	1,367,243
Due to Compass Family Services	-	84,070	(84,070)	-
Total current liabilities	3,908,770	84,070	(1,454,555)	2,538,285
Non-current liabilities				
Client funds held in trust, net of current portion	7,322	-	-	7,322
Loan payable, net of current	21,198	-	-	21,198
Notes payable - NMTC	-	14,663,186	-	14,663,186
Total non-current liabilities	28,520	14,663,186	-	14,691,706
Total liabilities	3,937,290	14,747,256	(1,454,555)	17,229,991
Net assets				
Without donor restrictions	19,444,905	1,030,760	-	20,475,665
With donor restrictions	4,096,091	-	-	4,096,091
Total net assets	23,540,996	1,030,760	-	24,571,756
Total liabilities and net assets	\$ 27,478,286	\$ 15,778,016	\$ (1,454,555)	\$ 41,801,747

Compass Family Services
Consolidating Schedule of Activities and Changes in Net Assets
For the Year Ended June 30, 2021

	Compass Family Services	Compass QALICB	Eliminating Entries	Total
Revenues, gains, and other support				
Government grants	\$ 10,454,079	\$ -	\$ -	\$ 10,454,079
Contributions	7,233,510	-	-	7,233,510
Contributed services	169,733	-	-	169,733
Special events	722,625	-	-	722,625
In-kind contributions	579,741	-	-	579,741
Program service fees	21,692	-	-	21,692
Interest and investment income	38,349	184	-	38,533
Realized and unrealized gains on investments	135,682	-	-	135,682
Rental income	-	679,881	(679,881)	-
Other income	108,571	-	-	108,571
NMTC leverage loan interest	207,109	-	-	207,109
Total revenues, gains, and other support	19,671,091	680,065	(679,881)	19,671,275
Expenses				
Compass Family Shelter	1,240,909	-	-	1,240,909
Compass Children's Center	2,787,827	-	-	2,787,827
Compass SF Home	3,818,690	-	(126,584)	3,692,106
Compass Clara House	1,268,631	-	-	1,268,631
Central City Access Point	1,254,386	-	(173,220)	1,081,166
Compass Family Resource Center	957,412	-	(46,636)	910,776
Compass Childcare Support Services	920,002	-	(86,610)	833,392
Compass Behavioral Services	1,686,196	-	(113,585)	1,572,611
Management and general	1,880,986	523,952	(66,623)	2,338,315
Fundraising	1,035,763	-	(66,623)	969,140
Total expenses	16,850,802	523,952	(679,881)	16,694,873
Change in net assets	2,820,289	156,113	-	2,976,402
Net assets, beginning of year	20,720,707	874,647	-	21,595,354
Net assets, end of year	\$ 23,540,996	\$ 1,030,760	\$ -	\$ 24,571,756

Compass Family Services
Statement of Cash Flows for Compass QALICB
For the Years Ended June 30, 2021

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 156,113	\$ 167,683
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	238,449	238,355
Changes in operating assets and liabilities		
Due to Compass Family Services	13,194	20,770
Deferred rent	<u>(469,881)</u>	<u>(469,880)</u>
Net cash used in operating activities	<u>(62,125)</u>	<u>(43,072)</u>
Cash flows from investing activities		
Purchase of property, equipment, and leasehold improvements	<u>(3,866)</u>	<u>(15,961)</u>
Net cash used in investing activities	<u>(3,866)</u>	<u>(15,961)</u>
Net decrease in cash, cash equivalents, and restricted cash	(65,991)	(59,033)
Cash, cash equivalents, and restricted cash, beginning of year	<u>740,825</u>	<u>799,858</u>
Cash, cash equivalents, and restricted cash, end of year	<u><u>\$ 674,834</u></u>	<u><u>\$ 740,825</u></u>
Cash, cash equivalents, and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 159,493	\$ 78,538
Restricted cash - QALICB	<u>515,341</u>	<u>662,287</u>
	<u><u>\$ 674,834</u></u>	<u><u>\$ 740,825</u></u>

Single Audit Reports and Schedules

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*

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, which comprise the consolidated statement of financial position as of June 30, 2021, 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 financial statements, and have issued our report thereon dated November 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Compass Family Service's 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Compass Family Service's internal control. Accordingly, we do not express an opinion on the effectiveness of Compass Family Service's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Compass 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.

A handwritten signature in dark ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

San Francisco, California
November 15, 2021

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

Board of Directors

Compass Family Services (a California nonprofit public benefit corporation)

Report on Compliance for Each Major Federal Program

We have audited Compass Family Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each major federal program for the year ended June 30, 2021. Compass Family Services' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Compass Family Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Compass Family Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Compass Family Services' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Compass Family Services' 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



San Francisco, California
November 15, 2021

Compass Family Services
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

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 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 - Rapid Rehousing I	14.267	CA1531L9T011802/10 00015984	\$ 509,517
Compass SF Home - Rapid Rehousing II	14.267	1000008610	588,484
Subtotal: Continuum of Care Program			<u>1,098,001</u>
Mayor's Office of Community Development			
Community Development Block Grants/Entitlement Grants Cluster	14.218	146212-20	75,000
Emergency Solutions Grant Program	14.231	1000017660	93,040
Emergency Solutions Grant Program	14.231	1000019041	53,944
Subtotal: Emergency Solutions Grant Program			<u>146,984</u>
Total U.S. Department of Housing and Urban Development			<u>1,319,985</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	1581-7A	52,114
Total U.S. Department of Agriculture			<u>52,114</u>
U.S. Department of Health and Human Services			
Pass-through program from:			
City and County of San Francisco			
Temporary Assistance for Needy Families	93.558	243-FY21	76,279
California Department of Education			
CCDF Cluster			
Child Care Mandatory and Matching Funds of the Child Care			
and Development Fund	93.596	CCTR-0217/CSPP- 0491	115,649
Child Care and Development Block Grant	93.575	CCTR-0217/CSPP- 0491	53,163
Subtotal CCDF Cluster			<u>168,812</u>
Total U.S. Department of Health and Human Services			<u>\$ 245,091</u>

Compass Family Services
Schedule of Expenditures of Federal and State Awards (Continued)
For the Year Ended June 30, 2021

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	\$ 28,600
Total U.S. Department of Homeland Security			28,600
Total Expenditures of Federal Awards			\$ 1,645,790
<u>Expenditures of State Awards</u>			
Proposition 10			
San Francisco Children & Families Commission			
First 5 San Francisco	n/a		132,320
California Department of Education			
Child Development Division			
General Child Care and Development Programs	n/a	CCTR-0217	356,004
California State Preschool Program	n/a	CSPP-0491	389,697
			745,701
Pass-through program from:			
First5 - San Francisco Children & Families Commission:			
California Department of Education			
California State Preschool Program			
Quality Rating and Improvement System	n/a		3,989
Total Expenditures of State Awards			882,010
Total Expenditures of Federal and State Awards			\$ 2,527,800

Compass Family Services
Notes to Schedule of Expenditures of Federal and State Awards
June 30, 2021

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, 2021. 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, 2021.

Compass Family Services
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

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 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

Compass Family Services
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

There were no findings in the prior year.

Supporting Schedules
Required by the California Department of Education

Compass Family Services
General Information
For the Year Ended June 30, 2021

Center Name	Compass Children's Center
Contract Numbers	CCTR-0217 CSPP-0491
Contract Number	38-B588-00-8
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, 2020 through June 30, 2021
Number of Operations Days of Agency	241
Scheduled Daily Hours of Operation	Agency: 9:00am to 5:00pm Center: 7:45am to 6:00pm

Compass Family Services
Combining Statement of Financial Position
For the Year Ended June 30, 2021

	Child Development Funds	Other Funds	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ -	\$ 4,698,859	\$ 4,698,859
Designated cash	646,164	2,020,469	2,666,633
Designated cash - QALICB	-	251,331	251,331
Grant receivable	33,223	2,462,178	2,495,401
Contributions receivable, net	-	715,301	715,301
Other accounts receivable	-	6,304	6,304
Prepaid expenses	-	149,502	149,502
Investments	-	938,990	938,990
Client funds held in trust, current portion	-	10,439	10,439
	<u>679,387</u>	<u>11,253,373</u>	<u>11,932,760</u>
Total current assets			
Noncurrent assets			
Replacement reserve	26,692	361,243	387,935
Operating reserve	-	83,207	83,207
Client funds held in trust, net of current portion	-	7,322	7,322
Designated cash - QALICB, net of current portion	-	264,010	264,010
Other assets	-	23,239	23,239
Contributions receivable, net of current portion	-	-	-
NMTC leverage loan receivable	-	10,434,220	10,434,220
Endowment investments	-	590,201	590,201
Property and equipment, net	2,016,623	16,062,230	18,078,853
	<u>2,043,315</u>	<u>27,825,672</u>	<u>29,868,987</u>
Total noncurrent assets			
Total assets	<u>\$ 2,722,702</u>	<u>\$ 39,079,045</u>	<u>\$ 41,801,747</u>

Compass Family Services
Combining Statement of Financial Position (Continued)
For the Year Ended June 30, 2021

	Child Development Funds	Other Funds	Total
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued expenses	\$ 154,874	\$ 780,237	\$ 935,111
Deferred revenue	104,010	121,482	225,492
Client funds	-	10,439	10,439
Current portion of notes payable	-	1,367,243	1,367,243
Total current liabilities	258,884	2,279,401	2,538,285
Long-term liabilities			
Client funds held in trust, net of current portion	-	7,322	7,322
Notes payable, net	-	21,198	21,198
Notes payable, NMTC, net	-	14,663,186	14,663,186
Due to/from other funds	(273,767)	273,767	-
Total long-term liabilities	(273,767)	14,965,473	14,691,706
Total liabilities	(14,883)	17,244,874	17,229,991
Net assets			
Without donor restrictions	1,807,921	18,667,744	20,475,665
With donor restrictions	929,664	3,166,427	4,096,091
Total net assets	2,737,585	21,834,171	24,571,756
Total liabilities and net assets	\$ 2,722,702	\$ 39,079,045	\$ 41,801,747

Compass Family Services

Combining Statement of Activities

For the Year Ended June 30, 2021

	Without Donor Restrictions						With Donor Restrictions			Total		
	CCTR-0217	CSPP-0491	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 Compass Children's Center	All Compass Programs
Revenues and support:												
Per CDE fiscal report												
CDE restricted revenue												
Child Care Food Program	\$ 16,603	\$ 26,441	9,070	\$ -	\$ 52,114	\$ -	\$ 52,114	\$ -	\$ -	\$ -	\$ 52,114	\$ 52,114
Other												
Government grants	114,681	182,639	-	-	297,320	-	297,320	-	-	-	297,320	297,320
Contributions (earned)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal CDE restricted	131,284	209,080	9,070	-	349,434	-	349,434	-	-	-	349,434	349,434
CDE unrestricted revenue												
Program service fees (Family Fees - certified)	2,996	-	-	-	2,996	-	2,996	-	-	-	2,996	2,996
Program service fees (Family Fees - noncertified)	-	-	-	-	-	-	-	-	-	-	-	-
Other												
Government grants	186,065	296,325	-	-	482,390	-	482,390	-	-	-	482,390	482,390
Contributions (earned)	254,472	311,598	-	-	566,070	-	566,070	-	-	-	566,070	566,070
Interest and investment income (non CDE funds)	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal unrestricted	443,533	607,923	-	-	1,051,456	-	1,051,456	-	-	-	1,051,456	1,051,456
CDE supplemental												
Government grants	8,974	14,292	-	-	23,266	-	23,266	-	-	-	23,266	23,266
Contributions (earned)	284,724	494,968	-	-	779,692	-	779,692	-	-	-	779,692	779,692
Contributions (in-kind)	16,282	25,931	-	-	42,213	-	42,213	-	-	-	42,213	42,213
Interest and investment income (non CDE funds)	262	451	-	-	713	-	713	-	-	-	713	713
Realized and unrealized gain (loss) on investments	1,204	1,883	-	-	3,087	-	3,087	-	-	-	3,087	3,087
Miscellaneous	18,615	29,646	-	-	48,261	-	48,261	-	-	-	48,261	48,261
Subtotal supplemental	330,061	567,171	-	-	897,232	-	897,232	-	-	-	897,232	897,232
GAAP additions and adjustments:												
California Dept of Education - CCTR-8217	524,816	-	-	-	524,816	-	524,816	-	-	-	524,816	524,816
California Dept of Education - CSPP-8485	-	389,697	-	-	389,697	-	389,697	-	-	-	389,697	389,697
Government grants	-	-	(9,070)	-	(9,070)	8,693,552	8,684,482	-	-	-	(9,070)	8,684,482
Contributions (earned) - subtract CDE report amounts	-	-	-	(1,345,762)	(1,345,762)	-	(1,345,762)	-	-	-	(1,345,762)	(1,345,762)
Contributions (received)	-	-	-	-	-	4,086,081	4,086,081	831,814	2,315,614	3,147,428	831,814	7,233,509
Contributed services	-	-	-	-	-	168,933	168,933	-	-	-	-	168,933
Contributions (in-kind)	-	-	-	-	-	538,328	538,328	-	-	-	-	538,328
Special events	-	-	-	-	-	712,625	712,625	-	10,000	10,000	-	722,625
Program service fee - other, CCC subtract MPHaas fee assistance	-	-	-	-	-	18,696	18,696	-	-	-	-	18,696
NMTC Leverage Loan Interest	-	-	-	-	-	207,109	207,109	-	-	-	-	207,109
Interest and investment income	-	-	-	-	-	28,328	28,328	-	9,495	9,495	-	37,823
Realized and unrealized gain (loss) on investments	-	-	-	-	-	28,434	28,434	-	104,162	104,162	-	132,596
Other income	-	-	-	-	-	60,301	60,301	-	-	-	-	60,301
Subtotal	1,429,694	1,773,871	-	(1,345,762)	1,857,803	14,542,387	16,400,190	831,814	2,439,271	3,271,085	2,689,617	19,671,275
Net assets released from restriction												
Satisfaction of program restrictions	-	-	-	954,374	954,374	2,428,314	3,382,688	(954,374)	(2,428,314)	(3,382,688)	-	-
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	1,429,694	1,773,871	-	(377,888)	2,825,677	17,014,737	19,840,414	(136,060)	(33,079)	(169,139)	2,689,617	19,671,275
Expenses												
Salaries and wages	688,359	801,465	-	-	1,489,824	6,093,770	7,583,594	-	-	-	1,489,824	7,583,594
Employee benefits	226,204	263,372	-	-	489,576	1,761,916	2,251,492	-	-	-	489,576	2,251,492
Professional fees	64,299	33,998	-	-	98,297	599,900	698,197	-	-	-	98,297	698,197
Housing Assistance	-	-	-	-	-	1,865,643	1,865,643	-	-	-	-	1,865,643
Client assistance	82,744	168,584	-	-	251,328	1,464,966	1,716,294	-	-	-	251,328	1,716,294
Rent and occupancy	36,589	56,183	-	-	92,772	254,776	347,548	-	-	-	92,772	347,548
Office supplies	914	1,109	-	-	2,023	17,704	19,727	-	-	-	2,023	19,727
Program expenses	46,603	70,113	-	-	116,716	164,951	281,667	-	-	-	116,716	281,667
Telephone	22,532	32,808	-	-	55,340	121,656	176,996	-	-	-	55,340	176,996
License and fees - technology	3,728	4,593	-	-	8,321	139,050	147,371	-	-	-	-	-
License and fees - other	4,755	4,662	-	-	9,417	94,901	104,318	-	-	-	-	-
Insurance	9,705	15,061	-	-	24,766	98,419	123,185	-	-	-	24,766	123,185
Equipment maintenance	2,325	3,538	-	-	5,863	94,076	99,939	-	-	-	5,863	99,939
Printing, postage	148	1,299	-	-	1,447	26,802	28,249	-	-	-	1,447	28,249
Travel and conferences, training	1,181	1,276	-	-	2,457	39,715	42,172	-	-	-	2,457	42,172
Interest	-	-	-	-	-	356,115	356,115	-	-	-	-	356,115
Miscellaneous	2,802	2,587	-	-	5,389	56,278	61,667	-	-	-	5,389	61,667
Contributed services	-	-	-	-	-	-	-	-	-	-	-	-
Cost of special event	-	-	-	-	-	84,739	84,739	-	-	-	-	84,739
Depreciation and amortization	53,152	84,649	-	-	137,801	571,671	709,472	-	-	-	137,801	709,472
Gain on retirement of fixed assets	(1,370)	(2,142)	-	-	(3,512)	-	(3,512)	-	-	-	(3,512)	(3,512)
Administrative costs	176,435	215,285	-	-	391,720	(391,720)	-	-	-	-	391,720	-
Total expenses	1,421,105	1,758,440	-	-	3,179,545	13,515,328	16,694,873	-	-	-	3,179,545	16,694,873
Change in net assets	8,589	15,431	-	(377,888)	(353,868)	3,499,409	3,145,541	(136,060)	(33,079)	(169,139)	(489,928)	2,976,402
Net assets at beginning of year	(1,771,555)	(1,703,263)	-	5,706,492	2,231,674	15,098,450	17,330,124	959,834	3,269,396	4,265,230	3,227,508	21,595,354
Net assets at end of year	\$ (1,762,966)	\$ (1,687,832)	\$ -	\$ 5,328,604	\$ 1,877,806	\$ 18,597,859	\$ 20,475,665	\$ 859,774	\$ 3,236,317	\$ 4,096,091	\$ 2,737,580	\$ 24,571,756

Compass Family Services
Combining Schedule of Claimed Renovation and Repair Expenditures
For the Year Ended June 30, 2021

	<u>CCTR-0217</u>	<u>CSPP-0491</u>	<u>Total</u>
Unit cost under \$5,000			
Item	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unit cost over \$10,000 (with CDE approval)			
Item	<u>-</u>	<u>-</u>	<u>-</u>
Unit cost over \$10,000 (without CDE approval)			
Item	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Compass Family Services
Combining Schedule of Claimed Equipment Expenditures
For the Year Ended June 30, 2021

	<u>CCTR-0217</u>	<u>CSPP-0491</u>	<u>Total</u>
Unit cost under \$5,000 Item	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unit cost over \$10,000 (with CDE approval) Item	<u>-</u>	<u>-</u>	<u>-</u>
Unit cost over \$10,000 (without CDE approval) Item	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Compass Family Services
Combining Schedule of Claimed Administrative Costs
For the Year Ended June 30, 2021

	<u>CCTR-0217</u>	<u>CSPP-0491</u>	<u>Child Care Food Program</u>	<u>Total</u>
Indirect costs	\$ 95,587	\$ 102,564	\$ 3,913	\$ 202,064
CACFP - CCC	1,509	2,404	(3,913)	-
CACFP - CCH	<u>-</u>	<u>-</u>	<u>750</u>	<u>750</u>
	<u>\$ 97,096</u>	<u>\$ 104,968</u>	<u>\$ 750</u>	<u>\$ 202,814</u>

Compass Family Services

Combining Schedule of Expenditures by State Categories and Reconciliation of CDE and GAAP Expense Reporting

For the Year Ended June 30, 2021

		CCTR-0217			CSPP-0491			CACFP - CCC included in CCTR and CSPP				CACFP - Clara House
		Reimbursable	Supplemental	Total	Reimbursable	Supplemental	Total	Total Child Development		Total CCC		
1000	CERTIFIED SALARIES											
1100	Teacher's salaries	\$ 373,993	\$ 37,503	\$ 411,496	\$ 412,931	\$ 53,482	\$ 466,413	\$ 877,909	\$ -	\$ 877,909	\$ -	
1200	Administrators salaries	54,699	7,065	61,764	81,867	10,717	92,584	154,348	-	154,348	-	
1300	Supervisor's salaries	60,563	1,192	61,755	60,913	5,691	66,604	128,359	-	128,359	-	
1900	Other certified salaries	11,467	15,207	26,674	17,656	23,991	41,647	68,321	-	68,321	-	
		500,722	60,967	561,689	573,367	93,881	667,248	1,228,937	-	1,228,937	-	
2000	CLASSIFIED SALARIES											
2100	Instructional aide's salaries	62,477	6,319	68,796	50,977	10,452	61,429	130,225	-	130,225	-	
2300	Clerical and other office salaries	30,439	1,261	31,700	11,902	1,972	13,874	45,574	-	45,574	-	
2400	Maintenance/operations salaries	-	13,590	13,590	-	45,885	45,885	59,475	-	59,475	-	
2500	Food service salaries	12,586	-	12,586	13,029	-	13,029	25,615	-	25,615	-	
		105,502	21,170	126,672	75,908	58,309	134,217	260,889	-	260,889	-	
3000	EMPLOYEE BENEFITS			-								
3300	Social Security	36,652	4,966	41,618	39,255	9,201	48,456	90,074	-	90,074	-	
3400	Health and welfare benefits	113,039	15,316	128,355	121,067	28,378	149,445	277,800	-	277,800	-	
3500	State Unemployment	3,714	503	4,217	3,978	932	4,910	9,127	-	9,127	-	
3600	Workers' compensation	11,480	1,555	13,035	12,295	2,882	15,177	28,212	-	28,212	-	
3900	Other benefits	34,328	4,651	38,979	36,766	8,618	45,384	84,363	-	84,363	-	
		199,213	26,991	226,204	213,361	50,011	263,372	489,576	-	489,576	-	
	BOOKS, SUPPLIES AND EQUIPMENT											
4000	Books other than textbooks	11,389	66,258	77,647	14,291	141,610	155,901	233,548	-	233,548	-	
4300	Instructional material and supplies	5,043	4,581	9,624	11,620	7,133	18,753	28,377	-	28,377	-	
4600	Pupil transportation supplies	-	550	550	-	861	861	1,411	-	1,411	-	
4710	Food	6,026	3,519	9,545	7,120	5,579	12,699	22,244	39,131	61,375	8,246	
4790	Other food service supplies	1,520	131	1,651	2,095	199	2,294	3,945	-	3,945	-	
		23,978	75,039	99,017	35,126	155,382	190,508	289,525	39,131	328,656	8,246	
	SERVICES/OTHER OPERATING EXPENSES											
5000	Travel, conferences, and other	1,179	2	1,181	1,273	3	1,276	2,457	-	2,457	-	
5400	Insurance	9,378	328	9,706	14,685	376	15,061	24,767	-	24,767	-	
5500	Utilities and housekeeping	53,751	5,370	59,121	79,947	9,044	88,991	148,112	-	148,112	-	
5700	Legal, election and audit	51,017	13,411	64,428	18,363	15,671	34,034	98,462	-	98,462	-	
5800	Other services and operating expenses (training)	-	-	-	-	-	-	-	-	-	-	
		11,127	1,997	13,124	13,617	2,876	16,493	29,617	-	29,617	-	
		126,452	21,108	147,560	127,885	27,970	155,855	303,415	-	303,415	-	
	OTHER											
	Depreciation or use allowance	22,991	-	22,991	36,615	-	36,615	59,606	-	59,606	-	
	Indirect - Administrative	95,587	79,339	174,926	102,564	110,317	212,881	387,807	3,913	391,720	825	
	Nonreimbursables	-	45,446	45,446	-	71,304	71,304	116,750	-	116,750	-	
		118,578	124,785	243,363	139,179	181,621	320,800	564,163	3,913	568,076	825	
	Total expenditures by state categories	1,074,445	330,060	1,404,505	1,164,826	567,174	1,732,000	3,136,505	43,044	3,179,549	9,071	
	Costs related to Child Care Food Program	16,603	-	16,603	26,441	-	26,441	43,044	(43,044)	-	-	
	Total of reimbursable and nonreimbursable expenditures	\$ 1,091,048	\$ 330,060	\$ 1,421,108	\$ 1,191,267	\$ 567,174	\$ 1,758,441	\$ 3,179,549	\$ -	\$ 3,179,549	\$ 9,071	

Compass Family Services

Notes to Child Care and Development Programs Supplementary Information

June 30, 2021

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, 2021.

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, 2021.

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, 2021.

Audited Attendance and Fiscal Reports

California Department of Education

Audited Attendance and Fiscal Report for

California State Preschool Programs

San Francisco Pilot

Fiscal Year Ending **June 30, 2021**

Contract Number **CSPP0491**

Vendor Code **B5880**

A U D 8501-SF Page 1 of 8

Full Name of Contractor **COMPASS FAMILY SERVICES**

Section 1 - Days of Enrollment Certified Children

Enrollment Category	Column A Cumulative CDNFS 8501-SF	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Three Years and Older Full-time-plus				1.1800	0
Three Years and Older Full-time	4,476		4,476	1.0000	4,476
Three Years and Older Three-quarters-time				0.7500	0
Three Years and Older One-half-time				0.6772	0
Exceptional Needs Full-time-plus				1.8172	0
Exceptional Needs Full-time				1.5400	0
Exceptional Needs Three-quarters-time				1.1550	0
Exceptional Needs One-half-time				1.0429	0
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time	1,174		1,174	1.1000	1,291.4
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6772	0

Full Name of Contractor **COMPASS FAMILY SERVICES****Section 1 - Days of Enrollment Certified Children (continued)**

Enrollment Category	Column A Cumulative CDNFS 8501-SF	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6772	0
Severely Disabled Full-time-plus				2.2774	0
Severely Disabled Full-time				1.9300	0
Severely Disabled Three-quarters-time				1.4475	0
Severely Disabled One-half-time				1.3070	0
TOTAL DAYS OF ENROLLMENT	5,650		5,650	N/A	5,767.4
DAYS OF OPERATION	241		241	N/A	N/A
DAYS OF ATTENDANCE	2,943		2,943	N/A	N/A

☐ NO NON-CERTIFIED CHILDREN Check this box (omit pages 3 and 4) and continue to Revenue Section on page 5.

Full Name of Contractor **COMPASS FAMILY SERVICES****Section 2 - Days of Enrollment Non-Certified Children**

Enrollment Category	Column A Cumulative CDNFS 8501-SF	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Toddlers (18 up to 36 months) Full-time-plus				2.1240	0
Toddlers (18 up to 36 months) Full-time				1.8000	0
Toddlers (18 up to 36 months) Three-quarters-time				1.3500	0
Toddlers (18 up to 36 months) One-half-time				0.9900	0
Three Years and Older Full-time-plus				1.1800	0
Three Years and Older Full-time	2,760		2,760	1.0000	2,760
Three Years and Older Three-quarters-time				0.7500	0
Three Years and Older One-half-time				0.6772	0
Exceptional Needs Full-time-plus				1.8172	0
Exceptional Needs Full-time				1.5400	0
Exceptional Needs Three-quarters-time				1.1550	0
Exceptional Needs One-half-time				1.0429	0

Full Name of Contractor **COMPASS FAMILY SERVICES****Section 2 - Days of Enrollment Non-Certified Children (continued)**

Enrollment Category	Column A Cumulative CDNFS 8501-SF	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time	297		297	1.1000	326.7
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6772	0
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6772	0
Severely Disabled Full-time-plus				2.2774	0
Severely Disabled Full-time				1.9300	0
Severely Disabled Three-quarters-time				1.4475	0
Severely Disabled One-half-time				1.3070	0
TOTAL NON-CERTIFIED DAYS OF ENROLLMENT	3,057		3,057	N/A	3,086.7

Full Name of Contractor **COMPASS FAMILY SERVICES****Section 3 - Revenue**

Revenue Category	Column A Cumulative CDNFS 8501-SF	Column B Audit Adjustments	Column C Cumulative per Audit
Restricted Income - Child Nutrition Programs	26,441		26,441
Restricted Income - County Maintenance of Effort (EC Section 8279)			
Restricted Income - Other: GOVERNMENT	182,639		182,639
Restricted Income - Subtotal	209,080		209,080
Transfer from Reserve - General			
Transfer from Reserve - Professional Development			
Transfer from Reserve Total			
Waived Family Fees for Certified Children (July - August)			
Family Fees Collected for Certified Children (September - June)			
Waived Family Fees for Certified Children (September - June)			
Family Fees (September - June) - Subtotal			
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income - Fees for Non-Certified Children			
Unrestricted Income - Head Start			
Unrestricted Income - Other: GOVERNMENT, CONTRIBUTIONS	607,924		607,924
Total Revenue	817,004		817,004

Comments:

Full Name of Contractor **COMPASS FAMILY SERVICES****Section 4 - Reimbursable Expenses**

Reimbursable Expense Category	Column A Cumulative CDNFS 8501-SF	Column B Audit Adjustments	Column C Cumulative per Audit
Direct Payments to Providers (FCCH only)			
1000 Certificated Salaries	573,368	-1	573,367
2000 Classified Salaries	75,908		75,908
3000 Employee Benefits	213,361		213,361
4000 Books and Supplies	59,162		59,162
5000 Services and Other Operating Expenses	127,885		127,885
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance	36,615		36,615
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (include in Total Administrative Cost)	104,968		104,968
Non-Reimbursable (State use only)			
Total Reimbursable Expenses	1,191,267	-1	1,191,266
Total Administrative Cost (included in Section 4 above)			
Total Staff Training Cost (included in Section 4 above)			

Approved Indirect Cost Rate: 10.0%

☐ NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 7.

Full Name of Contractor **COMPASS FAMILY SERVICES****Section 5 - Supplemental Revenue**

Supplemental Revenue Category	Column A Cumulative CDNFS 8501-SF	Column B Audit Adjustments	Column C Cumulative per Audit
Enhancement Funding	14,292		14,292
Other: CONTRIBUTIONS	552,882		552,882
Other:			
Total Supplemental Revenue	567,174		567,174

Section 6 - Supplemental Expenses

Supplemental Expense Category	Column A Cumulative CDNFS 8501-SF	Column B Audit Adjustments	Column C Cumulative per Audit
1000 Certificated Salaries	93,880		93,880
2000 Classified Salaries	58,309		58,309
3000 Employee Benefits	50,011		50,011
4000 Books and Supplies	155,382		155,382
5000 Services and Other Operating Expenses	27,969		27,969
6000 Equipment / Capital Outlay			
Depreciation or Use Allowance			
Indirect Costs	110,317		110,317
Non-Reimbursable Supplemental Expenses	71,304		71,304
Total Supplemental Expenses	567,172		567,172

Full Name of Contractor **COMPASS FAMILY SERVICES****Section 7 - Summary**

Summary Category	Column A Cumulative CDNFS 8501-SF	Column B Audit Adjustments	Column C Cumulative per Audit
Total Certified Days of Enrollment	5,650		5,650
Days of Operation	241		241
Days of Attendance	2,943		2,943
Restricted Program Income	209,080		209,080
Transfer from Reserve			
Family Fees for Certified Children (September - June)			
Interest Earned on Apportionment Payments			
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses	1,191,267	-1	1,191,266
Total Administrative Cost			
Total Staff Training Cost			

Total Certified Adjusted Days of Enrollment **5,767.4**Total Non-Certified Adjusted Days of Enrollment **3,086.7**

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 Learning and Care Division:

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

Yes

Reimbursable expenses claimed on page 6 are eligible for reimbursement, reasonable, necessary, and adequately supported (select YES or NO from the drop-down box):

Yes

Include any comments in the comments box on page 5. If necessary, attach additional sheets to explain adjustments.

California Department of Social Services

Audited Attendance and Fiscal Report for Child Development Programs

Fiscal Year Ending **June 30, 2021**

Contract Number **CCTR0217**

Vendor Code **B5880**

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Full Name of Contractor **COMPASS FAMILY SERVICES**

Section 1 - Days of Enrollment Certified Children

	Column A Cumulative CDNFS 9500	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				2.8792	0
Infants (up to 18 months) Full-time	2,740		2,740	2.4400	6,685.6
Infants (up to 18 months) Three-quarters-time				1.8300	0
Infants (up to 18 months) One-half-time				1.3420	0
Toddlers (18 up to 36 months) Full-time-plus				2.1240	0
Toddlers (18 up to 36 months) Full-time	311		311	1.8000	559.8
Toddlers (18 up to 36 months) Three-quarters-time				1.3500	0
Toddlers (18 up to 36 months) One-half-time				0.9900	0
Three Years and Older Full-time-plus				1.1800	0
Three Years and Older Full-time				1.0000	0
Three Years and Older Three-quarters-time				0.7500	0
Three Years and Older One-half-time				0.5500	0
Exceptional Needs Full-time-plus				1.8172	0
Exceptional Needs Full-time				1.5400	0
Exceptional Needs Three-quarters-time				1.1550	0
Exceptional Needs One-half-time				0.8470	0

Full Name of Contractor **COMPASS FAMILY SERVICES****Section 1 - Days of Enrollment Certified Children (continued)**

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6050	0
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6050	0
Severely Disabled Full-time-plus				2.2774	0
Severely Disabled Full-time				1.9300	0
Severely Disabled Three-quarters-time				1.4475	0
Severely Disabled One-half-time				1.0615	0
TOTAL CERTIFIED DAYS OF ENROLLMENT	3,051		3,051	N/A	7,245.4
DAYS OF OPERATION	241		241	N/A	N/A
DAYS OF ATTENDANCE	2,756		2,756	N/A	N/A

☐ NO NON-CERTIFIED CHILDREN Check this box (omit pages 3-4) and continue to Revenue Section on page 5.

Full Name of Contractor **COMPASS FAMILY SERVICES****Section 2 - Days of Enrollment Non-Certified Children**

	Column A Cumulative CDNFS 9500	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				2.8792	0
Infants (up to 18 months) Full-time	2,369		2,369	2.4400	5,780.36
Infants (up to 18 months) Three-quarters-time				1.8300	0
Infants (up to 18 months) One-half-time				1.3420	0
Toddlers (18 up to 36 months) Full-time-plus				2.1240	0
Toddlers (18 up to 36 months) Full-time	277		277	1.8000	498.6
Toddlers (18 up to 36 months) Three-quarters-time				1.3500	0
Toddlers (18 up to 36 months) One-half-time				0.9900	0
Three Years and Older Full-time-plus				1.1800	0
Three Years and Older Full-time				1.0000	0
Three Years and Older Three-quarters-time				0.7500	0
Three Years and Older One-half-time				0.5500	0
Exceptional Needs Full-time-plus				1.8172	0
Exceptional Needs Full-time				1.5400	0
Exceptional Needs Three-quarters-time				1.1550	0
Exceptional Needs One-half-time				0.8470	0

Full Name of Contractor **COMPASS FAMILY SERVICES****Section 2 - Days of Enrollment Non-Certified Children (continued)**

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6050	0
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6050	0
Severely Disabled Full-time-plus				2.2774	0
Severely Disabled Full-time				1.9300	0
Severely Disabled Three-quarters-time				1.4475	0
Severely Disabled One-half-time				1.0615	0
TOTAL NON-CERTIFIED DAYS OF ENROLLMENT	2,646		2,646	N/A	6,278.96

Full Name of Contractor **COMPASS FAMILY SERVICES****Section 3 - Revenue**

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Restricted Income - Child Nutrition Programs	16,603		16,603
Restricted Income - County Maintenance of Effort (EC Section 8279)			
Restricted Income - Other: government	114,681		114,681
Restricted Income - Subtotal	131,284		131,284
Transfer From Reserve			
Waived Family Fees for Certified Children (July and August)			
Family Fees Collected for Certified Children (September - June)	2,996		2,996
Waived Family Fees for Certified Children (September - June)			
Family Fees (September - June) - Subtotal	2,996		2,996
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income - Fees for Non-Certified Children			
Unrestricted Income - Head Start			
Unrestricted Income - Other: government, contributions	440,538		440,538
Total Revenue	574,818		574,818

Comments:

Full Name of Contractor **COMPASS FAMILY SERVICES****Section 4 - Reimbursable Expenses**

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Direct Payments to Providers (FCCH only)			
1000 Certificated Salaries	500,721	1	500,722
2000 Classified Salaries	105,501	1	105,502
3000 Employee Benefits	199,213		199,213
4000 Books and Supplies	39,071		39,071
5000 Services and Other Operating Expenses	126,453	-1	126,452
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance	22,991		22,991
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (include in Total Administrative Cost)	97,094		97,094
Non-Reimbursable (State use only)			
Total Reimbursable Expenses	1,091,044	1	1,091,045
Total Administrative Cost (included in Section 4 above)	97,094		97,094
Total Staff Training Cost (included in Section 4 above)			

Approved Indirect Cost Rate: 10.0%

☐ NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 7.

Full Name of Contractor **COMPASS FAMILY SERVICES****Section 5 - Supplemental Revenue**

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Enhancement Funding	8,974		8,974
Other: contributions	321,087		321,087
Other:			
Total Supplemental Revenue	330,061		330,061

Section 6 - Supplemental Expenses

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
1000 Certificated Salaries	60,967		60,967
2000 Classified Salaries	21,170		21,170
3000 Employee Benefits	26,991		26,991
4000 Books and Supplies	75,040		75,040
5000 Services and Other Operating Expenses	21,108		21,108
6000 Equipment / Capital Outlay			
Depreciation or Use Allowance			
Indirect Costs	79,339		79,339
Non-Reimbursable Supplemental Expenses	45,446		45,446
Total Supplemental Expenses	330,061		330,061

Full Name of Contractor **COMPASS FAMILY SERVICES****Section 7 - Summary**

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Total Certified Days of Enrollment	3,051		3,051
Days of Operation	241		241
Days of Attendance	2,756		2,756
Restricted Program Income	131,284		131,284
Transfer from Reserve			
Family Fees for Certified Children (September - June)	2,996		2,996
Interest Earned on Child Development Apportionment Payments			
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses	1,091,044	1	1,091,045
Total Administrative Cost	97,094		97,094
Total Staff Training Cost			

Total Certified Adjusted Days of Enrollment **7,245.4**Total Non-Certified Adjusted Days of Enrollment **6,278.96**

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

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

YES

Reimbursable expenses claimed on page 6 are eligible for reimbursement, reasonable, necessary, and adequately supported (select YES or NO from the drop-down box):

YES

Include any comments in the comments box on page 5. If necessary, attach additional sheets to explain adjustments.

