

COMPASS OF CAROLINA, INC.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

POPE, SMITH, BROWN & KING, P.A.

Certified Public Accountants

COMPASS OF CAROLINA, INC.
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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Compass of Carolina, Inc.
Greenville, South Carolina**

We have audited the accompanying financial statements of Compass of Carolina, Inc. (a nonprofit "Agency"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report, Continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Compass of Carolina, Inc. as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The statements of program expenses on pages 17 - 18 are presented for the purpose of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

Pope, Smith Brant & King PA
Certified Public Accountants

Greenville, South Carolina
May 10, 2019

COMPASS OF CAROLINA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 415,661	\$ 293,122
Client escrowed funds	1,121,473	851,127
Grants and contracts receivable		
State	31,087	32,709
Miscellaneous receivables	4,942	4,935
Prepaid expenses	<u>4,366</u>	<u>4,298</u>
TOTAL CURRENT ASSETS	<u>1,577,529</u>	<u>1,186,191</u>
PROPERTY AND EQUIPMENT, NET	<u>12,823</u>	<u>19,351</u>
WEBSITE DEVELOPMENT COSTS, NET	<u>6,795</u>	<u>11,087</u>
TOTAL ASSETS	<u><u>\$ 1,597,147</u></u>	<u><u>\$ 1,216,629</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses and sundry payables	\$ 8,054	\$ 4,379
Escrowed client deposits	<u>1,121,473</u>	<u>851,127</u>
TOTAL CURRENT LIABILITIES	<u>1,129,527</u>	<u>855,506</u>
NET ASSETS		
Net Assets without donor restrictions	363,955	288,415
Net Assets with donor restrictions	<u>103,665</u>	<u>72,708</u>
TOTAL NET ASSETS	<u>467,620</u>	<u>361,123</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,597,147</u></u>	<u><u>\$ 1,216,629</u></u>

See accompanying notes and independent auditor's report.

COMPASS OF CAROLINA, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
PUBLIC SUPPORT AND OTHER REVENUE WITHOUT DONOR RESTRICTIONS		
Contributions	\$ 13,825	\$ 15,962
Contributions - in kind	8,750	7,865
Fundraising	65,025	52,552
United Way allocations	174,966	189,623
Financial counseling fees	142,723	140,140
Counseling program fees	88,454	82,966
Violence prevention program fees	127,541	118,748
Interest income	478	416
Miscellaneous income	<u>-</u>	<u>262</u>
TOTAL SUPPORT AND REVENUE	<u>621,762</u>	<u>608,534</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>229,827</u>	<u>271,623</u>
TOTAL PUBLIC SUPPORT AND OTHER REVENUE	<u>851,589</u>	<u>880,157</u>
EXPENSES		
PROGRAM SERVICES		
Counseling	152,596	150,181
Financial counseling	147,592	143,650
Violence prevention	<u>359,718</u>	<u>374,472</u>
Total Program Services	659,906	668,303
SUPPORTING SERVICES		
Management and general	82,037	85,838
Fundraising and grants management	<u>34,106</u>	<u>31,027</u>
Total Supporting Services	116,143	116,865
TOTAL EXPENSES	<u>776,049</u>	<u>785,168</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 75,540</u>	<u>\$ 94,989</u>

See accompanying notes and independent auditor's report.

COMPASS OF CAROLINA, INC.
STATEMENTS OF ACTIVITIES, CONTINUED
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Government grants	\$ 120,910	\$ 127,108
Private grants	139,874	86,500
Net assets released from restrictions	<u>(229,827)</u>	<u>(271,623)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>30,957</u>	<u>(58,015)</u>
CHANGE IN NET ASSETS	106,497	36,974
NET ASSETS AT BEGINNING OF YEAR	<u>361,123</u>	<u>324,149</u>
NET ASSETS AT END OF YEAR	<u>\$ 467,620</u>	<u>\$ 361,123</u>

COMPASS OF CAROLINA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	PROGRAM SERVICES			SUPPORTING SERVICES			
	Counseling	Financial Counseling	Violence Prevention	Total	Management and General	Fundraising	Total
FUNCTIONAL EXPENSES							
Payroll							
Salaries	\$ 86,738	\$ 86,679	\$ 224,769	\$ 398,186	\$ 29,858	\$ 15,818	\$ 45,676
Employee benefits	18,702	15,049	37,271	71,022	15,138	-	15,138
Payroll taxes	5,959	5,848	16,160	27,967	4,076	1,210	5,286
	<u>111,399</u>	<u>107,576</u>	<u>278,200</u>	<u>497,175</u>	<u>49,072</u>	<u>17,028</u>	<u>66,100</u>
Other							
Professional fees	-	-	-	-	9,000	-	9,000
Office supplies	779	492	2,204	3,475	180	-	180
Other supplies	378	247	1,930	2,555	7	-	7
Telephone	5,048	3,321	8,302	16,671	-	-	-
Postage and shipping	475	7,600	964	9,039	482	-	482
Occupancy	23,632	15,883	43,185	82,700	-	-	-
Equipment rent and maintenance	4,077	3,538	6,795	14,410	1,734	-	1,734
Printing and publications	235	4,382	2,469	7,086	700	-	700
Travel	-	-	3,011	3,011	386	-	386
Conferences and meetings	794	-	2,313	3,107	1,635	-	1,635
Membership dues	840	-	-	840	1,033	-	1,033
Fundraising	-	-	-	-	-	17,078	17,078
General & liability insurance	3,022	2,014	5,036	10,072	6,543	-	6,543
Other expenses	495	1,118	1,624	3,237	6,949	-	6,949
Interest	-	-	-	-	24	-	24
Depreciation	1,422	1,421	3,685	6,528	-	-	-
Amortization	-	-	-	-	4,292	-	4,292
	<u>41,197</u>	<u>40,016</u>	<u>81,518</u>	<u>162,731</u>	<u>32,965</u>	<u>17,078</u>	<u>50,043</u>
	<u>\$ 152,596</u>	<u>\$ 147,592</u>	<u>\$ 359,718</u>	<u>\$ 659,906</u>	<u>\$ 82,037</u>	<u>\$ 34,106</u>	<u>\$ 116,143</u>

See accompanying notes and independent auditor's report.

COMPASS OF CAROLINA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	PROGRAM SERVICES			SUPPORTING SERVICES			
	Counseling	Financial Counseling	Violence Prevention	Total	Management and General	Fundraising	Total
FUNCTIONAL EXPENSES							
Payroll							
Salaries	\$ 83,912	\$ 84,285	\$ 225,181	\$ 393,378	\$ 30,967	\$ 15,892	\$ 46,859
Employee benefits	18,984	14,251	35,096	68,331	17,732	-	17,732
Payroll taxes	5,793	5,441	16,276	27,510	4,312	1,184	5,496
	<u>108,689</u>	<u>103,977</u>	<u>276,553</u>	<u>489,219</u>	<u>53,011</u>	<u>17,076</u>	<u>70,087</u>
Other							
Professional fees	-	-	-	-	10,050	-	10,050
Office supplies	1,060	868	3,236	5,164	768	-	768
Other supplies	485	293	1,537	2,315	392	-	392
Telephone	4,792	3,195	8,122	16,109	-	-	-
Postage and shipping	450	7,200	906	8,556	480	-	480
Occupancy	22,707	15,129	42,819	80,655	-	-	-
Equipment rent and maintenance	4,442	3,270	7,404	15,116	1,129	-	1,129
Printing and publications	282	2,748	14,130	17,160	423	-	423
Travel	283	257	3,980	4,520	458	-	458
Conferences and meetings	750	-	3,480	4,230	1,583	-	1,583
Membership dues	1,070	738	108	1,916	788	-	788
Fundraising	-	-	-	-	-	13,951	13,951
General & liability insurance	2,987	1,992	4,979	9,958	8,240	-	8,240
Other expenses	525	2,588	3,480	6,593	6,728	-	6,728
Depreciation	1,659	1,395	3,738	6,792	-	-	-
Amortization	-	-	-	-	1,788	-	1,788
	<u>41,492</u>	<u>39,673</u>	<u>97,919</u>	<u>179,084</u>	<u>32,827</u>	<u>13,951</u>	<u>46,778</u>
	<u>\$ 150,181</u>	<u>\$ 143,650</u>	<u>\$ 374,472</u>	<u>\$ 668,303</u>	<u>\$ 85,838</u>	<u>\$ 31,027</u>	<u>\$ 116,865</u>

See accompanying notes and independent auditor's report.

COMPASS OF CAROLINA, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 106,497	\$ 36,974
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	10,820	8,580
Changes in operating assets and liabilities:		
(Increase) decrease in grants and contracts receivable	1,622	13,664
(Increase) decrease in other receivables	(7)	1,413
(Increase) decrease in prepaid expenses	(68)	13,440
Increase (decrease) in accrued expenses and sundry payables	<u>3,675</u>	<u>(9,279)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>122,539</u>	<u>64,792</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for website development	-	(12,875)
Purchase of equipment	<u>-</u>	<u>(13,145)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>-</u>	<u>(26,020)</u>
NET INCREASE IN CASH	122,539	38,772
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>293,122</u>	<u>254,350</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 415,661</u>	<u>\$ 293,122</u>

COMPASS OF CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Compass of Carolina, Inc. (the "Agency") is a United Way supported agency that provides social services to residents of Greenville County. The major services that the Agency provides are marriage and family counseling, domestic violence programs, and representative payee services.

The Agency is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been reflected in the Agency's financial statements.

Basis of Accounting

The financial statements of Compass of Carolina, Inc. have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles, and accordingly reflect all significant receivables, payables, and other liabilities. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Contributions

The Agency elected to adopt FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities* (formerly Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*). In accordance with ASC 958, the Agency contributions received are recorded as increases in net assets without donor restrictions or increases in net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

In-Kind Support

The Agency records various types of in-kind support including materials and professional services. Contributed professional services are recognized if the services received are provided by individuals possessing specialized skills, and these services would typically need to be purchased if not provided by donation. Contributions of intangible assets are recognized at fair market value when received. The amounts reflected on the accompanying financial statements as in-kind support are offset by like amounts included in expenses. The contributed materials and services were used in all programs that provide direct support to children. The Agency also receives donated materials and services that are used as auction items in fundraising events. The Agency received \$8,750 and \$7,865 in donated materials and professional services for the years ended December 31, 2018 and 2017.

Additionally the Agency receives a significant amount of contributed services which do not meet the two recognition criteria described above and, accordingly, are not reflected in the accompanying financial statements.

COMPASS OF CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
For the Years Ended December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The Agency has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 13), and disclosures related to functional expenses were expanded.

The accompanying information from 2017 financial statements has been restated to conform to the 2018 presentation and disclosure requirements of ASU 2016-14.

Financial Statement Presentation

The Agency elected to adopt FASB Accounting Standards Codification (ASC) 958, Not-for-Profit Entities (formerly Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations). Under ASC 958, the Agency is required to report information regarding its financial position and activities according to two classes of net assets: Net assets without donor restrictions and Net assets with donor restrictions. In addition, the Agency is required to present a statement of cash flows.

Net assets without donor restrictions - Net assets consist of resources available for the various programs and administration of the Agency which have not been restricted by a donor or other outside party. Net assets without donor restrictions are available for the various programs and administration of the Agency.

Net assets with donor restrictions - Net assets consist of donor restricted contributions. Amounts restricted by the donor, grantor or other outside party for a particular purpose are recognized as revenue when received and such unexpended amounts are reported as net assets with donor restrictions. Net Assets with Donor restrictions includes donor contributions which are required to be held in perpetuity and income from the assets held is available for either operations or specific purposes, in accordance with donor stipulations.

When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as "net assets released from restrictions."

Restrictions on gifts of fixed assets or contributions restricted for the purchase of fixed assets expire when the asset is placed in service, unless otherwise stipulated by the donor.

Client Escrowed Funds

Client escrowed funds represent cash held in trust for the clients of the Agency's representative payee program.

COMPASS OF CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
For the Years Ended December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Agency considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchasing of property and equipment, payment of long-term debt, or endowment. There were no restricted cash or cash equivalents as of December 31, 2018 and 2017.

Grants and Contracts Receivable

Grants and contracts receivable are stated at the amount management expects to collect from balances outstanding at year-end. All are from recurring sources. Based on prior experience with these entities, management has concluded that realized losses on balances outstanding at year-end will be immaterial.

Property and Equipment

The Agency capitalizes all expenditures in excess of \$500 for property and equipment at cost. Office furniture and equipment are stated at cost. Donated furniture and equipment are recorded at the estimated fair value at the date of receipt, which is then treated as cost. Such donations are reported as increases in net assets without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions. Absent donor stipulations regarding how long the donated assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed into service as instructed by the donor. The Agency reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation is computed on the straight-line method based on the estimated useful lives:

Equipment	5 years
Furniture and fixtures	7-10 years

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is expensed as incurred.

Functional Allocation of Expenses

The costs of providing the Agency's various programs and support services have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and support services benefited.

COMPASS OF CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
For the Years Ended December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Tax Status

The Agency is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, therefore, no income taxes are provided for in the financial statements. In addition, the Agency qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). Management of the Agency considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the Agency's status as a not-for-profit entity. Management believes the Agency met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore, no provision for income taxes has been provided in these financial statements.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 and 2017, consisted of:

Description	Depreciable Life-Years	<u>2018</u>	<u>2017</u>
Equipment	5	\$ 172,467	\$ 172,467
Furniture	7	<u>14,241</u>	<u>14,241</u>
		186,708	186,708
Less accumulated depreciation		<u>173,885</u>	<u>167,357</u>
		<u>\$ 12,823</u>	<u>\$ 19,351</u>

Depreciation expense for the year ended December 31, 2018 and 2017 was \$6,528 and \$6,792, respectively.

NOTE 3 - WEBSITE DEVELOPMENT

During 2017, the Agency completed development of a new website. The capitalized costs of the new website development totaled approximately \$12,875. Website development costs are amortized over three years. In July 2017, the new website was put into service. The amortization expense for the years ended December 31, 2018 and 2017, was \$4,292 and \$1,788, respectively.

Amortization expense for the years subsequent to December 31, 2018 is as follows:

2019	\$ 4,292
2020	<u>2,503</u>
	<u>\$ 6,795</u>

COMPASS OF CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
For the Years Ended December 31, 2018 and 2017

NOTE 4 - LEASE OBLIGATIONS

The Agency leases its office space and facilities to conduct counseling sessions under various operating leases. Rental expense, including common area maintenance (CAM) charges, was \$82,700 and \$80,655 for the years ended December 31, 2018 and 2017, respectively.

The future base minimum payments under these leases, not including CAM charges at December 31, 2018, are as follows:

2019	\$	53,839
2020		<u>57,006</u>
	\$	<u>110,845</u>

The Agency also leases office equipment under various operating leases. Future minimum lease payments required under operating leases that have initial or non-cancelable terms in excess of one year as of December 31, 2018 are:

2019	\$	8,912
2020		6,477
2021		<u>4,787</u>
	\$	<u>20,176</u>

The lease expense for equipment leases was \$10,522 and \$11,313 for the years ended December 31, 2018 and 2017, respectively.

NOTE 5 - RETIREMENT PLAN

Employees are presently covered under a defined contribution retirement plan that is administered by the State of South Carolina. Under this plan, the employees are not required to make any contributions. The Agency contributes to the plan on the employee's behalf after one year of service. Agency contributions were \$1,217 and \$1,171 for the years ended December 31, 2018 and 2017, respectively.

COMPASS OF CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
For the Years Ended December 31, 2018 and 2017

NOTE 6 - ECONOMIC DEPENDENCY

The Agency derives a substantial amount of its revenue through grants with government agencies and the United Way of Greenville County. If either a significant reduction in the level of this support, or a change in the method of administration of domestic violence treatment were to occur, it would have an effect on the Agency's programs and services and could prevent the Agency from continuing existence in its present form.

Grants require the fulfillment of certain conditions set forth in the grant agreement. Failure to fulfill or comply with the conditions could result in the return of funds to the grantor. Although this is a possibility, the Board considers the possibility remote, since by accepting the grants it has accommodated the objectives of the Agency to the provisions of the grants.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

Undesignated: Undesignated net assets are used for the general operations of the Agency.

Designated: Designated net assets are set aside by the Agency to be used for a specific program. There were no designated net assets at December 31, 2018.

Net assets with donor restrictions: Net assets with donor restrictions include those net assets whose use by the Agency has been donor restricted by specific time or purpose limitations. Net assets with donor restrictions consist of the following at December 31, 2018:

Description	<u>2018</u>	<u>2017</u>
Private Grants - Child and Adolescent Services	\$ 103,665	\$ 71,250
Private Grants - FVIP	<u>-</u>	<u>1,458</u>
	<u><u>\$ 103,665</u></u>	<u><u>\$ 72,708</u></u>

The Agency receives private grants from corporations and organizations. The grants will occasionally cover more than one period and have been prorated accordingly to the period specified by the grant. The grants received are classified as net assets with donor restrictions and are reclassified profitably to net assets without donor restrictions as the grant period expires.

COMPASS OF CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
For the Years Ended December 31, 2018 and 2017

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses or by the occurrence of other events, which satisfied the restricted purposes.

Description	<u>2018</u>	<u>2017</u>
Child and Adolescent Services	\$ 107,459	\$ 113,096
FVIP	122,368	138,918
Technology	<u>-</u>	<u>19,609</u>
	<u>\$ 229,827</u>	<u>\$ 271,623</u>

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

The Agency maintains cash balances at several financial institutions located in Greenville, South Carolina. These deposits are insured by the FDIC up to \$250,000 for substantially all depository accounts. At times, certain balances held within these accounts may not be fully guaranteed by the FDIC. The uninsured portion of cash and cash equivalents are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to the Agency. At December 31, 2018 and 2017, the Agency's uninsured cash balance totaled \$163,335 and \$41,500, respectively.

NOTE 10 - SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through May 10, 2019, the date on which the financial statements were available to be issued. The Agency is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.

NOTE 11 - COMPENSATED ABSENCES

Compensated absences for sick pay and personal time have not been accrued since they were not considered material to the financial statements. The Agency's policy is to recognize these costs when actually paid.

NOTE 12 - RECLASSIFICATIONS

Certain 2017 amounts have been reclassified to conform with the presentation in 2018.

COMPASS OF CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
For the Years Ended December 31, 2018 and 2017

NOTE 13 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Agency has a policy to manage its liquidity and reserves with the following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The following table reflects the Agency's financial assets as of December 31, 2018 and 2017, reduced by amounts not available for general expenditures within one year.

Financial Assets:	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 415,661	\$ 293,122
Client escrowed funds	1,121,473	851,127
Grants and contracts receivable	31,087	32,709
Miscellaneous receivables	4,942	4,935
Prepaid expenses	<u>4,366</u>	<u>4,298</u>
Financial Assets, at year-end	<u>1,577,529</u>	<u>1,186,191</u>
Less those unavailable for general expenditure within one year due to:		
Escrowed funds used for payee program	(1,121,473)	(851,127)
Purpose restrictions	<u>(103,665)</u>	<u>(72,708)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>352,391</u></u>	\$ <u><u>262,356</u></u>

In addition to financial assets available to meet general expenditures over the year, the Agency anticipates covering its general expenditures by collecting counseling and program fees, other revenues, and by utilizing donor-restricted resources from current and prior year contributions and grants. The statement of cash flows identifies the sources and uses of the Agency's cash and shows positive cash generated by operations of \$122,539 and \$64,792 for the years ended December 31, 2018 and 2017.

NOTE 14 - ISSUED ACCOUNTING PRONOUNCEMENTS

During 2016, the FASB issued ASU 2016-02, *Leases* (Subtopic 842). The ASU states that companies will have to recognize lease assets and lease liabilities on the balance sheet. The ASU requires that companies disclose key information about leasing agreements. This standard is effective for private companies with annual reporting periods beginning after December 15, 2019, and early adoption is permitted. Management is currently evaluating the impact of this standard on its financial position, results of operations, and cash flows.

Management has evaluated the impact of other standards that have been issued or proposed by the FASB and the standards are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

SUPPLEMENTARY INFORMATION

COMPASS OF CAROLINA, INC.
STATEMENT OF PROGRAM EXPENSES
For the Year Ended December 31, 2018

	<u>Counseling</u>	<u>Financial Counseling</u>	<u>VIOLENCE PREVENTION</u>		
	<u>Counseling</u>	<u>Financial Counseling</u>	<u>FVIP</u>	<u>Second Chance</u>	<u>Total</u>
Salaries	\$ 86,738	\$ 86,679	\$ 139,261	\$ 85,508	\$ 224,769
Employee benefits	18,702	15,049	28,019	9,252	37,271
Payroll taxes	5,959	5,848	11,602	4,558	16,160
Office supplies	779	492	1,708	496	2,204
Other supplies	378	247	1,616	314	1,930
Telephone	5,048	3,321	7,472	830	8,302
Postage & shipping	475	7,600	489	475	964
Occupancy	23,632	15,883	36,405	6,780	43,185
Equipment rent & maintenance	4,077	3,538	6,115	680	6,795
Printing	235	4,382	2,233	236	2,469
Travel	-	-	1,484	1,527	3,011
Conference and meetings	794	-	1,839	474	2,313
Membership dues	840	-	-	-	-
General & liability Insurance	3,022	2,014	4,532	504	5,036
Other expenses	495	1,118	1,624	-	1,624
Depreciation	1,422	1,421	2,283	1,402	3,685
	<u>\$ 152,596</u>	<u>\$ 147,592</u>	<u>\$ 246,682</u>	<u>\$ 113,036</u>	<u>\$ 359,718</u>

See accompanying notes and independent auditor's report.

COMPASS OF CAROLINA, INC.
STATEMENT OF PROGRAM EXPENSES
For the Year Ended December 31, 2017

	<u>Counseling</u>	<u>Financial Counseling</u>	<u>VIOLENCE PREVENTION</u>		
	<u>Counseling</u>	<u>Financial Counseling</u>	<u>FVIP</u>	<u>Second Change</u>	<u>Total</u>
Salaries	\$ 83,912	\$ 84,285	\$ 135,155	\$ 90,026	\$ 225,181
Employee benefits	18,984	14,251	26,172	8,924	35,096
Payroll taxes	5,793	5,441	10,006	6,270	16,276
Office supplies	1,060	868	2,176	1,060	3,236
Other supplies	485	293	1,537	-	1,537
Telephone	4,792	3,195	7,323	799	8,122
Postage & shipping	450	7,200	456	450	906
Occupancy	22,707	15,129	35,162	7,657	42,819
Equipment rent & maintenance	4,442	3,270	6,664	740	7,404
Printing	282	2,748	14,287	(157)	14,130
Travel	283	257	1,597	2,383	3,980
Conference and meetings	750	-	2,937	543	3,480
Membership dues	1,070	738	97	11	108
General & liability insurance	2,987	1,992	4,481	498	4,979
Other expenses	525	2,588	1,523	1,957	3,480
Depreciation	1,659	1,395	3,259	479	3,738
	<u>\$ 150,181</u>	<u>\$ 143,650</u>	<u>\$ 252,832</u>	<u>\$ 121,640</u>	<u>\$ 374,472</u>

See accompanying notes and independent auditor's report.