

COMPASS SCIENCE COMMUNICATION, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2018

COMPASS

KERN ▲ THOMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

**COMPASS SCIENCE COMMUNICATION, INC.**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2018**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Compass Science Communication, Inc.  
Portland, Oregon

We have audited the accompanying financial statements of Compass Science Communication, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year 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.

***Auditors' Responsibility***

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

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

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

***Opinion***

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

To the Board of Directors  
Compass Science Communication, Inc.

**Other Matters**

***Report on Summarized Comparative Information***

We have previously audited Compass Science Communication, Inc.'s 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated March 23, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Emphasis of Matter***

As discussed in Note B, the Organization adopted the provisions of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958)*, for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

*Kern & Thompson, LLC*

Portland, Oregon  
May 30, 2019

**COMPASS SCIENCE COMMUNICATION, INC.**

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2018**

(With Comparative Totals as of December 31, 2017)

**ASSETS**

	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 799,098	\$ 1,415,324
Investments	501,231	-
Accounts receivable	61,917	42,938
Grants receivable	1,000,000	92,000
Prepaid expenses	24,520	19,062
Deposits	-	4,140
	<b>\$ 2,386,766</b>	<b>\$ 1,573,464</b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 16,544	\$ 26,290
Accrued payroll and related expenses	4,467	4,866
<b>Total liabilities</b>	<b>21,011</b>	<b>31,156</b>
<b>Net assets</b>		
Without donor restrictions		
Available for general operations	71,883	118,186
Board designated	400,000	400,000
	471,883	518,186
With donor restrictions	1,893,872	1,024,122
<b>Total net assets</b>	<b>2,365,755</b>	<b>1,542,308</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,386,766</b>	<b>\$ 1,573,464</b>

See notes to financial statements.

**COMPASS SCIENCE COMMUNICATION, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2018**

(With Comparative Totals for the Year Ended December 31, 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2018</u>	<u>2017</u>
<b>Revenues and other support</b>				
Grants and contributions	\$ 15,137	\$ 2,262,500	\$ 2,277,637	\$ 345,514
Program service revenues	279,628	-	279,628	389,797
Other income	18,304	-	18,304	6,622
	<u>313,069</u>	<u>2,262,500</u>	<u>2,575,569</u>	<u>741,933</u>
Net assets released from restriction	<u>1,392,750</u>	<u>(1,392,750)</u>	<u>-</u>	<u>-</u>
<b>Total revenues and other support</b>	<b><u>1,705,819</u></b>	<b><u>869,750</u></b>	<b><u>2,575,569</u></b>	<b><u>741,933</u></b>
<b>Expenses</b>				
Program services	1,546,738	-	1,546,738	1,488,022
Supporting services				
Administration	173,193	-	173,193	196,357
Fundraising	32,191	-	32,191	20,286
<b>Total expenses</b>	<b><u>1,752,122</u></b>	<b><u>-</u></b>	<b><u>1,752,122</u></b>	<b><u>1,704,665</u></b>
<b>Change in net assets</b>	<b>(46,303)</b>	<b>869,750</b>	<b>823,447</b>	<b>(962,732)</b>
Net assets, beginning of year	<u>518,186</u>	<u>1,024,122</u>	<u>1,542,308</u>	<u>2,505,040</u>
<b>Net assets, end of year</b>	<b><u>\$ 471,883</u></b>	<b><u>\$ 1,893,872</u></b>	<b><u>\$ 2,365,755</u></b>	<b><u>\$ 1,542,308</u></b>

See notes to financial statements.

**COMPASS SCIENCE COMMUNICATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2018**

(With Comparative Totals for the Year Ended December 31, 2017)

	<b>PROGRAM SERVICES</b>					<b>SUPPORTING SERVICES</b>			<b>Total</b>	
	<b>Oceans</b>	<b>Water</b>	<b>Land</b>	<b>Capacity Building</b>	<b>Visibility and Outreach</b>	<b>Total Program</b>	<b>Admin-istration</b>	<b>Fundraising</b>	<b>2018</b>	<b>2017</b>
Salaries	\$ 305,077	\$ 1,024	\$ 64,261	\$ 205,561	\$ 161,037	\$ 736,960	\$ 313,753	\$ 16,695	\$ 1,067,408	\$ 1,016,863
Employee benefits	40,821	116	8,482	27,181	16,837	93,437	39,522	2,391	135,350	125,117
Payroll taxes	25,112	89	5,502	17,402	13,139	61,244	25,491	1,376	88,111	87,026
Professional fees	2,980	-	2,418	23,209	180	28,787	33,109	1,020	62,916	88,136
Trainings & workshops	67,229	-	62,199	55,295	-	184,723	11,403	-	196,126	182,487
Rent	13,864	36	2,768	9,490	5,295	31,453	12,776	863	45,092	45,377
Utilities	3,250	7	681	1,998	1,138	7,074	3,079	156	10,309	7,752
Postage	34	-	54	66	22	176	268	2	446	1,416
Printing	38	-	123	26	82	269	73	-	342	5,036
Supplies	5,755	12	913	6,463	1,924	15,067	4,580	408	20,055	19,474
Travel	26,679	-	11,589	16,939	21,769	76,976	23,599	125	100,700	100,794
Membership and dues	4,940	-	565	-	935	6,440	475	-	6,915	6,804
Insurance	3,703	11	780	2,399	1,378	8,271	3,206	208	11,685	7,342
Bank charges	-	-	-	9	-	9	-	-	9	249
Miscellaneous	225	-	49	33	550	857	4,749	1,052	6,658	10,792
Administrative overhead	128,990	332	25,456	86,893	53,324	294,995	(302,890)	7,895	-	-
	<b>\$ 628,697</b>	<b>\$ 1,627</b>	<b>\$ 185,840</b>	<b>\$ 452,964</b>	<b>\$ 277,610</b>	<b>\$ 1,546,738</b>	<b>\$ 173,193</b>	<b>\$ 32,191</b>	<b>\$ 1,752,122</b>	<b>\$ 1,704,665</b>

See notes to financial statements.

**COMPASS SCIENCE COMMUNICATION, INC.**

**STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2018**

(With Comparative Totals for the Year Ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 823,447	\$ (962,732)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(18,979)	25,497
Grant receivable	(908,000)	1,018,000
Prepaid expenses	(5,458)	(5,204)
Deposits	4,140	(859)
Accounts payable	(9,746)	11,489
Accrued payroll and related expenses	(399)	1,115
<b>Net cash provided by (used in) operating activities</b>	<u><b>(114,995)</b></u>	<u><b>87,306</b></u>
<b>Cash flows from investing activities:</b>		
Acquisition of investments	<u><b>(501,231)</b></u>	<u>-</u>
<b>Net change in cash</b>	<b>(616,226)</b>	<b>87,306</b>
Cash and cash equivalents, beginning of year	<u>1,415,324</u>	<u>1,328,018</u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 799,098</b></u>	<u><b>\$ 1,415,324</b></u>

See notes to financial statements.



**COMPASS SCIENCE COMMUNICATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018**

**NOTE A – DESCRIPTION OF ORGANIZATION**

Compass Science Communication, Inc. (COMPASS or the Organization) empowers scientists to engage with society, leading to a more productive public discourse about the environment. We coach scientists to be more effective communicators and connect them to key people and conversations at the most relevant times. COMPASS believes that when scientific knowledge and insights are part of decision-making, the solutions that emerge will be robust and benefit both society and the environment.

COMPASS, which originally stood for “Communication Partnership for Science and the Sea”, was founded by Dr. Jane Lubchenco, Vikki Spruill, Chuck Savitt, and Chris Harrold in partnership with the David and Lucile Packard Foundation in 1999. After a number of years operating as a program of various fiscal sponsors, most recently with the Tides Center, the Organization obtained independent exempt status in 2015.

After over a decade of focus on ocean science and scientists as a fiscally-sponsored program, the independent COMPASS has expanded its focus beyond oceans and continues to help scientists effectively share their knowledge in the public discourse and decision-making. We provide practical support for scientists to engage without compromising the accuracy of their science. We support scientists studying a diverse range of topics at the intersections of people and environment, from the oceans to climate to wildfire to water. We are constantly pioneering new approaches to support scientists to more effectively engage and interact with those setting and advancing the public agenda. We have trained thousands of scientists to be more effective communicators, from across academia, government, non-governmental organizations, and the private sector.

Our relationships and knowledge of trends allow us to identify gaps and lags between the science and the state of the discourse about a given topic. We identify and create new opportunities for scientists to connect with each other and other key audiences. Our work is uniquely shaped by timing, salience, appetite, and the broader social context. Whether by arranging a panel of journalists to attend a scientific conference, or by helping a scientist prepare to speak to a federal, state, or local decision-maker, COMPASS helps scientists to foster personal connections that catalyze or contribute to conversations about how and why the environment is changing, what those changes mean for people, and how science is contributing to more robust solutions to some of society's greatest challenges.

COMPASS is supported by a combination of earned revenue and foundation grants. Although widely known for fee-for-service trainings, the majority of our funding comes from philanthropic sources.

During the year ending on December 31, 2018, the Organization incurred program service expenses in the following major areas:

- **Oceans**

Our ocean portfolio seeks to strengthen the public discourse around ocean conservation to ensure that relevant policies and practices reflect the latest scientific knowledge and insights. Drawing on over fifteen years of working closely with leading ocean scientists (natural and social), we tap into our extensive networks to support scientists to contribute to framing and advancing the dialogue around more robust solutions to some of the greatest challenges facing the ocean.

COMPASS SCIENCE COMMUNICATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)

- **Oceans (Continued)**

By facilitating interdisciplinary workshops and trainings, framing scientific conferences, and connecting scientists with policymakers, journalists, and others who influence the discourse, we focus on where science and scientists can be most transformative.

- **Water**

The focus of our water portfolio is to support scientists to play a larger role in framing and advancing conversations about a sustainable water future for the West. Scientists are poised to bring new thinking, build political will, and increase public understanding and support for considering the broader social and ecological contexts of water and bring new insights and perspectives about the connections between water, a changing climate, and other resource management practices like forestry and fire management.

- **Land**

Our work in terrestrial systems seeks to empower scientists to contribute to a more robust discourse about the conservation of western lands. We focus on bridging the disconnects between scientific understanding and perceptions, policy, and practices around issues such as wildfire, endangered species, and climate adaptation. We support current and emerging leaders across the West to inject cutting-edge science into society's conversations about how to manage increasingly flammable and dry landscapes and adapt to a rapidly changing world.

- **Visibility, Outreach, and Capacity Building**

Grounded in the latest research on science communication, our in-depth, highly interactive, and customized group trainings and individual coaching empower scientists to find the relevance of their science for the audiences they most want to reach—journalists, policymakers, stakeholders, leaders within their institution, and other scientists. We help scientists set, refine, and ultimately achieve their goals for effectively engaging with society. As pioneers and leaders in the practice of science communication, we bring our experience, insight, and social capital to supporting more scientists to engage and to do so effectively.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Adoption of New Accounting Pronouncement**

During the fiscal year ended December 31, 2018, the Organization implemented *Accounting Standards Update No. 2016-14, Not-for-Profit Entities Topic 958* ("ASU 2016-14"). This standard revised the net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. As a result of the implementation of ASU 2016-14, net assets and transactions are now presented in two categories (with donor restrictions and without donor restrictions) instead of three (unrestricted, temporary, and permanent). Additionally, disclosures regarding liquidity have been added and the expansion of disclosures regarding the nature of donor restrictions and endowment funds have been made. The implementation of ASU 2016-14 had no impact on total beginning net assets.

**COMPASS SCIENCE COMMUNICATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2018**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

**Financial Statement Presentation**

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets either subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration 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 net assets released from restrictions.

**Contributions**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**Functional Allocation of Expenses**

The costs of providing the programs and supporting services have been summarized in the statement of Activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**COMPASS SCIENCE COMMUNICATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2018**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Revenue Recognition**

All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Program service revenues are recognized at the time services are provided and the revenues are earned.

**Receivables**

Accounts receivable are recognized as services are performed and expenditures are made. The Organization does not assess finance charges on receivables. The Organization uses the allowance method to account for uncollectible receivables. The allowance for doubtful accounts is estimated by management based on various factors, including past history and current economic conditions. The Organization considers accounts receivable to be fully collectible at December 31, 2018; thus no allowance for doubtful accounts has been established.

Grants receivable, which are unconditional promises to give, are expected to be collected within one year.

**Income Taxes**

The Organization has been approved as a tax exempt organization under the Internal Revenue Code Section 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization does not believe it has unrelated trade or business income in excess of \$1,000.

**NOTE C – INVESTMENTS**

At December 31, 2018, investments, stated at quoted market value, consisted of the following:

Treasury bills	\$	500,994
Brokered money market		<u>237</u>
Total investments	\$	<u><u>501,231</u></u>

**COMPASS SCIENCE COMMUNICATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2018**

**NOTE C – INVESTMENTS (CONTINUED)**

Investments held in the mutual fund account are the only assets measured at fair value on a recurring basis. Valuation techniques used to measure fair value are prioritized into the following hierarchy:

**Level 1** – Quoted prices in active markets for identical assets. Assets in this level typically include publicly traded equities and mutual fund investments. At December 31, 2018, all investments are Level 1 investments.

**Level 2** – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data such as published interest rates and yield curves, over-the-counter derivatives, market modeling, or other valuation methodologies.

**Level 3** – Unobservable inputs that reflect management’s assumptions and best estimates based on available data.

**NOTE D – RESTRICTIONS ON NET ASSETS**

The Organization's net assets with donor restrictions are subject to the following purpose or time restrictions as of December 31, 2018:

Ocean Science	\$ 1,660,532
Land Science	172,736
Capacity Building	45,383
Other	<u>15,221</u>
Total net assets with donor restrictions	<u>\$ 1,893,872</u>

**NOTE E – CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and grants and accounts receivable. The Organization places its cash with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Amounts in excess of FDIC coverage are not insured. At December 31, 2018, the Organization held cash of \$549,098 in excess of FDIC insurance. The Organization’s accounts receivable are unsecured and generally are due within 30 days. The Organization has not experienced any losses on these accounts.

**NOTE F – CONCENTRATION OF REVENUE**

At December 31, 2018, 75% of the Organization’s revenue (\$2,000,000) was awarded from one foundation. Certain receivables may also, from time to time, subject the Organization to concentrations of credit risk. At December 31, 2018, grants receivable included \$1,000,000 from that funder.

**COMPASS SCIENCE COMMUNICATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2018**

**NOTE G – LEASE COMMITMENT**

The Organization has signed a lease for office space in Portland, Oregon, and Washington DC. Below are the minimum lease commitments under the remaining noncancelable leases for the year ending December 31, 2018.

Year Ending December 31,	Portland	DC	Total
2019	\$ 16,995	\$ 16,038	\$ 33,033
2020	16,995	-	16,995
2021	16,995	-	16,995
2022	2,833	-	2,833
	<u>\$ 53,818</u>	<u>\$ 16,038</u>	<u>\$ 69,856</u>

**NOTE H – BOARD DESIGNATED FUND**

The Board of Directors has established a \$400,000 operating reserve with the goal of maintaining a balance equal to 3-6 months of operating expenses.

**NOTE I – NET ASSETS AT DECEMBER 31, 2017**

On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Health in Harmony implemented ASU No.2016-14 during 2018, and has adjusted the presentation of December 2017 account balances as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets at December 31, 2017, as previously reported			
Unrestricted	\$ 518,186	\$ -	\$ 518,186
Temporarily restricted	-	1,024,122	1,024,122
Permanently restricted	-	-	-
	<u>\$ 518,186</u>	<u>\$ 1,024,122</u>	<u>\$ 1,542,308</u>

**COMPASS SCIENCE COMMUNICATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2018**

**NOTE J – RETIREMENT PLAN**

The Organization has established a 403(b) retirement plan for the benefit of all employees. The Organization made discretionary contributions totaling \$28,150 for the year ended December 31, 2018.

**NOTE K – LIQUIDITY**

The following chart represents the Organization's financial assets available to meet cash needs for general expenditures within one year of December 31, 2018:

Financial assets at year-end*	
Cash and cash equivalents	\$ 799,098
Investments	501,231
Accounts receivable	61,917
Grants receivable	<u>1,000,000</u>
Total financial assets	<u>2,362,246</u>
Less those unavailable for general expenditure within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with timing restriction	<u>500,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,862,246</u>

\* Total assets, less nonfinancial assets (e.g. property and equipment, prepaid expenses)

As part of its liquidity management, the Organization's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in excess of current requirements in short-term investments.

**NOTE L – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 30, 2019, which is the date the financial statements were available to be issued.