

COMPASS SCIENCE COMMUNICATION, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2019

COMPASS

KERN  THOMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

**COMPASS SCIENCE COMMUNICATION, INC.**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2019**

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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, 2019, 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, 2019, 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.

***Other Matters***

***Report on Summarized Comparative Information***

We have previously audited Compass Science Communication, Inc.'s 2018 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated May 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Kern & Thompson, LLC*

Portland, Oregon  
June 22, 2020

COMPASS SCIENCE COMMUNICATION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2019

(With Comparative Amounts as of December 31, 2018)

ASSETS

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,058,660	\$ 799,098
Investments	511,592	501,231
Accounts receivable	64,124	61,917
Grants receivable	9,900	1,000,000
Prepaid expenses	<u>21,013</u>	<u>24,520</u>
<b>Total assets</b>	<b><u>\$ 1,665,289</u></b>	<b><u>\$ 2,386,766</u></b>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 20,572	\$ 16,544
Accrued payroll and related expenses	<u>3,731</u>	<u>4,467</u>
<b>Total liabilities</b>	<b><u>24,303</u></b>	<b><u>21,011</u></b>
<b>Net assets</b>		
Without donor restrictions		
Available for general operations	78,454	71,883
Board designated	<u>400,000</u>	<u>400,000</u>
	478,454	471,883
With donor restrictions	<u>1,162,532</u>	<u>1,893,872</u>
<b>Total net assets</b>	<b><u>1,640,986</u></b>	<b><u>2,365,755</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 1,665,289</u></b>	<b><u>\$ 2,386,766</u></b>

See notes to financial statements.

**COMPASS SCIENCE COMMUNICATION, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2019**

(With Comparative Totals for the Year Ended December 31, 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2019</u>	<u>2018</u>
<b>Revenues and other support</b>				
Grants and contributions	\$ 9,203	\$ 514,968	\$ 524,171	\$ 2,277,637
Program service revenues	409,914	-	409,914	279,628
Interest	3,426	-	3,426	5,791
Realized and unrealized gain on investments	10,213	-	10,213	1,231
Other income	4,921	-	4,921	11,282
	<u>437,677</u>	<u>514,968</u>	<u>952,645</u>	<u>2,575,569</u>
Net assets released from restriction	<u>1,246,308</u>	<u>(1,246,308)</u>	<u>-</u>	<u>-</u>
<b>Total revenues and other support</b>	<b><u>1,683,985</u></b>	<b><u>(731,340)</u></b>	<b><u>952,645</u></b>	<b><u>2,575,569</u></b>
<b>Expenses</b>				
Program services	1,521,000	-	1,521,000	1,546,738
Supporting services				
Administration	127,538	-	127,538	173,193
Fundraising	28,876	-	28,876	32,191
<b>Total expenses</b>	<b><u>1,677,414</u></b>	<b><u>-</u></b>	<b><u>1,677,414</u></b>	<b><u>1,752,122</u></b>
<b>Change in net assets</b>	<b>6,571</b>	<b>(731,340)</b>	<b>(724,769)</b>	<b>823,447</b>
Net assets, beginning of year	<u>471,883</u>	<u>1,893,872</u>	<u>2,365,755</u>	<u>1,542,308</u>
<b>Net assets, end of year</b>	<b><u>\$ 478,454</u></b>	<b><u>\$ 1,162,532</u></b>	<b><u>\$ 1,640,986</u></b>	<b><u>\$ 2,365,755</u></b>

See notes to financial statements.

**COMPASS SCIENCE COMMUNICATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2019**

(With Comparative Totals for the Year Ended December 31, 2018)

	<b>PROGRAM SERVICES</b>					<b>SUPPORTING SERVICES</b>			<b>Total</b>	
	<b>Oceans</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>2019</b>	<b>2018</b>	
	Salaries	\$ 302,224	\$ 57,022	\$ 234,200	\$ 155,156	\$ 748,602	\$ 349,104	\$ 17,031	\$ 1,114,737	\$ 1,067,408
Employee benefits	39,295	6,999	30,812	16,975	94,081	39,765	1,783	135,629	135,350	
Payroll taxes	23,990	4,314	18,216	11,018	57,538	25,909	1,350	84,797	88,111	
Professional fees	12,131	2,761	29,901	15,800	60,593	20,827	-	81,420	62,916	
Trainings & workshops	35,019	2,132	14,590	5,496	57,237	7,625	-	64,862	196,126	
Rent	12,849	2,298	10,532	4,954	30,633	13,382	584	44,599	45,092	
Utilities	3,310	374	1,827	877	6,388	2,304	96	8,788	10,309	
Printing and postage	815	-	587	24	1,426	280	-	1,706	788	
Supplies	8,838	568	3,169	1,866	14,441	5,712	320	20,473	20,055	
Travel	18,417	5,147	25,200	16,980	65,744	25,845	479	92,068	100,700	
Membership and dues	6,070	485	-	1,405	7,960	210	173	8,343	6,915	
Insurance	3,954	727	3,226	1,518	9,425	4,137	234	13,796	11,685	
Bank charges	-	-	29	-	29	129	1	159	9	
Miscellaneous	94	39	647	53	833	5,185	19	6,037	6,658	
Administrative overhead	155,533	27,337	124,266	58,934	366,070	(372,876)	6,806	-	-	
	<b>\$ 622,539</b>	<b>\$ 110,203</b>	<b>\$ 497,202</b>	<b>\$ 291,056</b>	<b>\$ 1,521,000</b>	<b>\$ 127,538</b>	<b>\$ 28,876</b>	<b>\$ 1,677,414</b>	<b>\$ 1,752,122</b>	

See notes to financial statements.

**COMPASS SCIENCE COMMUNICATION, INC.**

**STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2019**

(With Comparative Totals for the Year Ended December 31, 2018)

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (724,769)	\$ 823,447
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized loss (gain) on investments	(10,213)	(1,231)
Changes in assets and liabilities:		
Accounts receivable	(2,207)	(18,979)
Grant receivable	990,100	(908,000)
Prepaid expenses	3,507	(5,458)
Deposits	-	4,140
Accounts payable	4,028	(9,746)
Accrued payroll and related expenses	(736)	(399)
<b>Net cash provided by (used in) operating activities</b>	<b>259,710</b>	<b>(116,226)</b>
<b>Cash flows from investing activities:</b>		
Investment earnings retained in investment accounts	(148)	-
Acquisition of investment account	-	(500,000)
	(148)	-
<b>Net change in cash</b>	<b>259,562</b>	<b>(616,226)</b>
Cash and cash equivalents, beginning of year	799,098	1,415,324
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,058,660</b>	<b>\$ 799,098</b>

See notes to financial statements.

**COMPASS SCIENCE COMMUNICATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**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, 2019, 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, 2019

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.

- **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 Pronouncements**

During the fiscal year ended December 31, 2019, two new accounting pronouncements became effective for the Organization: *Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09") and *Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08").

ASU 2018-08 clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This guidance clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle resulting from ASU 2018-08 was adopted on a modified prospective basis in 2019. There was no resulting cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of December 31, 2018.

**COMPASS SCIENCE COMMUNICATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2019**

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

**Adoption of New Accounting Pronouncements (Continued)**

ASU 2014-09 outlines a single, comprehensive model for accounting for revenue from contracts with customers. Revenue streams applicable to the Organization that qualify as exchange transactions include trainings and events with customers.

Management of the Organization has analyzed the provisions of ASU 2014-09, and has concluded that no changes to its revenue recognition policies are necessary to conform with the new standard. Amounts received from customers that are subject to fulfillment of requirements are recorded as deferred revenue until such performance obligations are satisfied.

**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**

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted support and increase net assets with donor restrictions. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

**COMPASS SCIENCE COMMUNICATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2019**

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

**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.

**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, 2019; 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.

**COMPASS SCIENCE COMMUNICATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2019**

**NOTE C – INVESTMENTS**

At December 31, 2019, investments, stated at quoted market value, consisted of the following:

Treasury bills	\$	510,654
Brokered money market		<u>938</u>
 Total investments	 \$	 <u><u>511,592</u></u>

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, 2019, 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, 2019:

Ocean Science	\$	668,313
Land Science		300,552
Capacity Building		129,100
Other		<u>64,567</u>
 Total net assets with donor restrictions	 \$	 <u><u>1,162,532</u></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, 2019, the Organization held cash of \$824,298 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.

**COMPASS SCIENCE COMMUNICATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2019**

**NOTE F – CONCENTRATION OF REVENUE**

At December 31, 2019, 60% of the Organization’s expenditures are funded from one foundation.

**NOTE G – LEASE COMMITMENT**

The Organization has a month to month lease agreement office in Washington DC. It also leases office space in Portland, Oregon. Below is the minimum commitments under this lease as of December 31, 2019:

Year Ending December 31,	Portland
2020	\$ 16,995
2021	16,995
2022	<u>2,833</u>
	<u>\$ 36,823</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 – LIQUIDITY**

The following chart represents the Organization's financial assets available to meet cash needs for general expenditures within one year of December 31, 2019:

Financial assets at year-end	
Cash and cash equivalents	\$ 1,058,660
Investments	511,592
Accounts receivable	64,124
Grants receivable	9,900
Total financial assets	<u>1,644,276</u>
Less those unavailable for general expenditure within one year, due to:	
Contractual or donor-imposed restrictions limiting the grant for specific purpose	<u>(494,219)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,150,057</u>

**COMPASS SCIENCE COMMUNICATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2019**

**NOTE I – LIQUIDITY (CONTINUED)**

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 J – RETIREMENT PLAN**

The Organization has established a 403(b) retirement plan for the benefit of all employees. The Organization made discretionary contributions totaling \$28,611 for the year ended December 31, 2019.

**NOTE K – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 22, 2020, which is the date the financial statements were available to be issued.

Beginning in January 2020, an outbreak of a coronavirus necessitated that many employees work from home and provide for social distancing measures. The effects of these events may continue for some time, including disruptions to or restrictions on employees' ability to work and on the ability of donors, sponsors, and members to fully participate in programs and continue their current level of financial support to the Organization. The Organization received a \$263,194 Payroll Protection Program loan subsequent to year end which it expects will be forgiven as certain compliance requirements are met during 2020. At the present time, the ultimate future effects of these issues are unknown.