

COMPEER ROCHESTER, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2010



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Compeer Rochester, Inc.

We have audited the statements of financial position of Compeer Rochester, Inc. as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Compeer Rochester, Inc. as of December 31, 2010 and 2009, 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.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Rochester, New York
May 20, 2011

COMPEER ROCHESTER, INC.
Statements of Financial Position
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Assets		
Cash and cash equivalents	\$ 5,701	\$ 8,275
Investments	22,944	102,702
Accounts receivable	26,318	35,803
Prepaid expenses and other current assets	14,705	10,502
Loan receivable - Compeer, Inc.	81,872	89,617
Beneficial interest in pooled life income fund	65,277	69,068
Office equipment - net of accumulated depreciation of \$76,421 and \$72,824, respectively	17,773	6,459
Restricted investments	<u>408,495</u>	<u>293,495</u>
Total Assets	<u>\$ 643,085</u>	<u>\$ 615,921</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Line of credit	\$ 90,500	\$ 112,000
Accounts payable	24,243	10,192
Accrued payroll and payroll taxes	41,826	30,784
Deferred revenue	<u>-</u>	<u>970</u>
Total Liabilities	<u>156,569</u>	<u>153,946</u>
Net Assets		
Unrestricted	277,744	249,412
Temporarily restricted	65,277	69,068
Permanently restricted	<u>143,495</u>	<u>143,495</u>
Total net assets	<u>486,516</u>	<u>461,975</u>
Total Liabilities and Net Assets	<u>\$ 643,085</u>	<u>\$ 615,921</u>

The accompanying notes are an integral part of these financial statements.

COMPEER ROCHESTER, INC.
Statement of Activities and Change in Net Assets
For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Government grant contracts	\$ 17,651	\$ 657,693	\$ -	\$ 675,344
Contributions	46,033	84,275	-	130,308
Other grants	8,353	34,945	-	43,298
Special events	148,017	-	-	148,017
Net assets released from restrictions	796,558	(796,558)	-	-
Total support and revenue	<u>1,016,612</u>	<u>(19,645)</u>	<u>-</u>	<u>996,967</u>
Expenses				
Program services	805,255	-	-	805,255
Management and general	163,257	-	-	163,257
Fundraising	49,352	-	-	49,352
Cost of direct benefits to donors	35,215	-	-	35,215
Total expenses	<u>1,053,079</u>	<u>-</u>	<u>-</u>	<u>1,053,079</u>
Change in Net Assets Before Other Income (Expense)	<u>(36,467)</u>	<u>(19,645)</u>	<u>-</u>	<u>(56,112)</u>
Other Income (Expense)				
Shared services - Compeer, Inc.	24,845	-	-	24,845
Interest and dividends	8,962	3,898	-	12,860
Net realized and unrealized gains on investments	33,302	15,747	-	49,049
Change in value of pooled life income fund	-	(3,791)	-	(3,791)
Interest expense	(7,476)	-	-	(7,476)
Interest income from Compeer, Inc.	5,166	-	-	5,166
Total other income (expense)	<u>64,799</u>	<u>15,854</u>	<u>-</u>	<u>80,653</u>
Change in Net Assets	28,332	(3,791)	-	24,541
Net Assets - Beginning	<u>249,412</u>	<u>69,068</u>	<u>143,495</u>	<u>461,975</u>
Net Assets - Ending	<u>\$ 277,744</u>	<u>\$ 65,277</u>	<u>\$ 143,495</u>	<u>\$ 486,516</u>

The accompanying notes are an integral part of these financial statements.

COMPEER ROCHESTER, INC.
Statement of Activities and Change in Net Assets
For the Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Government grant contracts	\$ 17,700	\$ 542,546	\$ -	\$ 560,246
Contributions	38,005	119,870	-	157,875
Other grants	22,000	5,000	-	27,000
Special events	157,996	-	-	157,996
Net assets released from restrictions	667,416	(667,416)	-	-
Total support and revenue	<u>903,117</u>	<u>-</u>	<u>-</u>	<u>903,117</u>
Expenses				
Program services	747,594	-	-	747,594
Management and general	151,924	-	-	151,924
Fundraising	55,912	-	-	55,912
Cost of direct benefits to donors	40,015	-	-	40,015
Total expenses	<u>995,445</u>	<u>-</u>	<u>-</u>	<u>995,445</u>
Change in Net Assets Before Other Income (Expense)	<u>(92,328)</u>	<u>-</u>	<u>-</u>	<u>(92,328)</u>
Other Income (Expense)				
Shared services - Compeer, Inc.	26,635	-	-	26,635
Interest and dividends	13,766	-	-	13,766
Net realized and unrealized gains on investments	51,753	-	-	51,753
Change in value of pooled life income fund	-	4,684	-	4,684
Interest expense	(5,333)	-	-	(5,333)
Interest income from Compeer, Inc.	5,616	-	-	5,616
Total other income (expense)	<u>92,437</u>	<u>4,684</u>	<u>-</u>	<u>97,121</u>
Change in Net Assets	109	4,684	-	4,793
Net Assets - Beginning	<u>249,303</u>	<u>64,384</u>	<u>143,495</u>	<u>457,182</u>
Net Assets - Ending	<u>\$ 249,412</u>	<u>\$ 69,068</u>	<u>\$ 143,495</u>	<u>\$ 461,975</u>

The accompanying notes are an integral part of these financial statements.

COMPEER ROCHESTER, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund - Raising</u>	<u>Cost of Direct Benefits to Donors</u>	<u>2010 Total</u>
Salaries	\$ 508,513	\$ 124,171	\$ 5,702	\$ -	\$ 638,386
Occupancy	65,019	-	-	-	65,019
Employee benefits	53,326	9,075	631	-	63,032
Payroll taxes	53,486	9,024	426	-	62,936
Consultants	-	7,515	31,000	-	38,515
Golf course fees	-	-	-	18,774	18,774
Food and room rental (special event)	-	-	-	16,441	16,441
Training	13,594	-	-	-	13,594
Supplies	10,650	-	1,876	-	12,526
Equipment rental	6,838	-	4,700	-	11,538
Client enrichment	11,181	-	-	-	11,181
Miscellaneous	10,851	-	-	-	10,851
Legal and professional	-	9,875	-	-	9,875
Printing	9,453	-	121	-	9,574
Insurance	8,640	-	-	-	8,640
CCYC mentor expenses	8,239	-	-	-	8,239
Postage and shipping	7,877	-	-	-	7,877
Subcontractors	7,180	-	-	-	7,180
Telephone	7,165	-	-	-	7,165
Meetings and travel	3,594	-	1,207	-	4,801
CCYF mentor expenses	4,608	-	-	-	4,608
Depreciation	-	3,597	-	-	3,597
SPR FFS mentor expenses	3,503	-	-	-	3,503
Fundraising events	-	-	3,442	-	3,442
Quilters	2,729	-	-	-	2,729
Food and beverage (office)	1,946	-	247	-	2,193
Service charge	1,970	-	-	-	1,970
Dues and subscriptions	1,951	-	-	-	1,951
Volunteer recruitment	1,369	-	-	-	1,369
Repairs and maintenance	1,300	-	-	-	1,300
Public relations	273	-	-	-	273
Total functional expenses	<u>\$ 805,255</u>	<u>\$ 163,257</u>	<u>\$ 49,352</u>	<u>\$ 35,215</u>	<u>\$ 1,053,079</u>

The accompanying notes are an integral part of these financial statements.

COMPEER ROCHESTER, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2009

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund - Raising</u>	<u>Cost of Direct Benefits to Donors</u>	<u>2009 Total</u>
Salaries	\$ 466,129	\$ 114,945	\$ 5,702	\$ -	\$ 586,776
Occupancy	61,853	-	-	-	61,853
Payroll taxes	47,359	8,787	426	-	56,572
Employee benefits	40,321	8,827	631	-	49,779
Consultants	-	6,679	35,000	-	41,679
Golf course fees	-	-	-	21,433	21,433
Food and room rental (special event)	-	-	-	18,582	18,582
Training	14,160	-	-	-	14,160
Client enrichment	13,161	-	-	-	13,161
Supplies	10,525	-	1,598	-	12,123
Equipment rental	6,884	-	4,843	-	11,727
Meetings and travel	7,955	-	2,349	-	10,304
Printing	8,998	-	330	-	9,328
Legal and professional	-	8,750	-	-	8,750
Insurance	8,486	-	-	-	8,486
Miscellaneous	8,364	-	-	-	8,364
Postage and shipping	7,713	-	13	-	7,726
Subcontractors	7,715	-	-	-	7,715
CCYF mentor expenses	7,651	-	-	-	7,651
Telephone	7,401	-	-	-	7,401
Supportive partners	6,134	-	-	-	6,134
CCYC mentor expenses	5,862	-	-	-	5,862
Depreciation	-	3,936	-	-	3,936
Fundraising events	-	-	3,456	-	3,456
Dues and subscriptions	2,481	-	-	-	2,481
Food and beverage (office)	2,206	-	64	-	2,270
Public relations	720	-	1,500	-	2,220
Volunteer recruitment	1,775	-	-	-	1,775
Service charge	1,677	-	-	-	1,677
Repairs and maintenance	1,507	-	-	-	1,507
Quilters	557	-	-	-	557
Total functional expenses	<u>\$ 747,594</u>	<u>\$ 151,924</u>	<u>\$ 55,912</u>	<u>\$ 40,015</u>	<u>\$ 995,445</u>

The accompanying notes are an integral part of these financial statements.

COMPEER ROCHESTER, INC.
Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 24,541	\$ 4,793
Adjustments		
Net realized and unrealized gains on investments	(49,049)	(51,753)
Change in value of pooled life income fund	3,791	(4,684)
Depreciation	3,597	3,936
Changes in assets and liabilities		
Accounts receivable	9,485	54,352
Prepaid expenses and other current assets	(4,203)	(3,150)
Accounts payable	14,051	(9,879)
Accrued payroll and payroll taxes	11,042	5,379
Deferred revenue	(970)	970
Net cash flows from operating activities	12,285	(36)
Cash Flows from Investing Activities		
Purchases of equipment	(14,911)	(2,611)
Sales (purchases) of investments	13,807	(12,303)
Repayments on loan receivable - Compeer Inc.	7,745	7,295
Net cash flows from investing activities	6,641	(7,619)
Cash Flows from Financing Activities		
Proceeds from (repayments on) line of credit	(21,500)	14,000
Net Change in Cash and Cash Equivalents	(2,574)	6,345
Cash and Cash Equivalents - Beginning	8,275	1,930
Cash and Cash Equivalents - Ending	\$ 5,701	\$ 8,275

The accompanying notes are an integral part of these financial statements.

COMPEER ROCHESTER, INC.
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Organization

Organization - The primary purpose of Compeer Rochester, Inc. (Compeer) is to provide rehabilitation and support for men, women, and children receiving mental health care. This is accomplished by matching community volunteers with persons utilizing mental health services for the purpose of creating personal relationships that encourage and develop improved personal skills and foster individual socialization experiences.

Standards of Accounting and Financial Reporting - The financial statements are presented in accordance with ASC 958-205. Under ASC 958-205, Compeer is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, defined as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met either by actions and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that are to be maintained permanently. Generally, the donors of these assets permit the use of all or part of the income earned on the related investments for general or specific purposes.

Compeer accounts for contributions in accordance with ASC 958-605, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as satisfaction of restrictions.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - For the purposes of the statements of financial position and the statements of cash flows, all short-term investments with an original maturity of three months or less are considered to be cash equivalents.

Investments and Beneficial Interest in Pooled Life Income Fund - Investments are recorded at fair market value in accordance with ASC 958-320. Unrealized gains or losses on investments are reflected in the statements of activities and changes in net assets.

Investments are valued using Level 1 inputs based on unadjusted quoted market prices within active markets. The Beneficial Interest in Pooled Life Income Fund is valued using Level 2 inputs based on quoted market prices of assets within the fund. The fund allocates units to each participant which are divided into net fair value of the entire fund for each participant's allocated share.

Accounts Receivable - Compeer considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

COMPEER ROCHESTER, INC.
Notes to Financial Statements

Office Equipment - Office equipment is recorded at cost. Depreciation is computed on the straight-line method over an estimated useful life of five years. Expenditures for maintenance, repairs and renewals of relatively minor items are generally charged to earnings as incurred. It is the Organization's policy to capitalize all assets in excess of \$50 and an estimated useful life of more than one year.

Income Taxes - Compeer is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

In accordance with ASC 740-10-50, the Organization recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. Management believes that the Organization is currently operating in compliance with the applicable requirements of the Internal Revenues Code. Therefore, no liability for unrecognized tax benefits has been included on the Organization's financial statements. The exempt Organization's informational returns are subject to audit by various taxing authorities and its open audit periods are 2008 and 2010.

Subsequent Events - In accordance with ASC 855-10, the Organization evaluated subsequent events through May 20, 2011, the date these financial statements were available to be issued.

Note 2. Investments

Investments consisted of the following at December 31:

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 10,273	\$ 10,006
Domestic equities	258,692	241,825
Fixed income	162,474	144,366
Total investments	<u>\$ 431,439</u>	<u>\$ 396,197</u>

Note 3. Endowment - The corpus of the endowment fund consists of permanently restricted and board designated net assets.

Interpretation of the Relevant Law - The Board of Directors of Compeer follows New York Prudent Management of Institutional Funds Act (NYPMIFA) and its own governing documents. To constitute a true endowment under New York, the restrictions must arise from clearly expressed donor limitations. Any gift received with donor restrictions must be applied in accordance with those restrictions. To do otherwise is a breach of fiduciary duty of Compeer's governing board. As a result of these interpretations, Compeer classifies as permanently restricted net assets the aggregate fair value in dollars of: (i) an endowment fund at the time it became an endowment fund; (ii) each subsequent donation to the fund at the time it is made; and (iii) each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund. The determination of these components is made in good faith by Compeer's governing board, is conclusive and under New York law is held inviolate.

COMPEER ROCHESTER, INC.
Notes to Financial Statements

Endowment activity as of and for the years ended December 31, 2010 and 2009:

Year Ended December 31, 2009	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets - Beginning	\$ 188,646	\$ -	\$ 143,495	\$ 332,141
Investment income:				
Investment income	13,766	-	-	13,766
Net appreciation (realized and unrealized)	51,753	-	-	51,753
Investment income - net	65,519	-	-	65,519
Appropriation of endowment assets for expenditure	(1,463)	-	-	(1,463)
Endowment Net Assets - Ending	<u>\$ 252,702</u>	<u>\$ -</u>	<u>\$ 143,495</u>	<u>\$ 396,197</u>
December 31, 2009	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated - operations	\$ 102,702	\$ -	\$ -	\$ 102,702
Board designated - collateral for line of credit	150,000	-	-	150,000
Permanently restricted	-	-	143,495	143,495
Total funds	<u>\$ 252,702</u>	<u>\$ -</u>	<u>\$ 143,495</u>	<u>\$ 396,197</u>
Year Ended December 31, 2010	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets - Beginning	\$ 252,702	\$ -	\$ 143,495	\$ 396,197
Investment income:				
Investment income	8,962	3,898	-	12,860
Net appreciation (realized and unrealized)	33,302	15,747	-	49,049
Investment income - net	42,264	19,645	-	61,909
Appropriation of endowment assets for expenditure	(7,022)	(19,645)	-	(26,667)
Endowment Net Assets - Ending	<u>\$ 287,944</u>	<u>\$ -</u>	<u>\$ 143,495</u>	<u>\$ 431,439</u>
December 31, 2010	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated - operations	\$ 22,944	\$ -	\$ -	\$ 22,944
Board designated - collateral for line of credit	265,000	-	-	265,000
Permanently restricted	-	-	143,495	143,495
Total funds	<u>\$ 287,944</u>	<u>\$ -</u>	<u>\$ 143,495</u>	<u>\$ 431,439</u>

COMPEER ROCHESTER, INC.
Notes to Financial Statements

Return Objectives and Risk Parameters - Compeer has adopted investment and spending policies for endowment assets that attempt to provide appreciated earnings to annually fund the programs supported by the endowment and to maintain the purchasing power of the endowment assets.

Compeer's investment policy to achieve its objectives is focused on the pursuit of long-term capital growth and the preservation of endowment capital by avoiding high level risk, high volatility and low quality securities. The investment policy designates asset allocation limits as follows:

<u>Asset Allocation Limits</u>	
Common stocks	50 - 70%
Fixed income and cash and cash equivalents	30 - 50%

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, Compeer relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Compeer targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Compeer does not have a formal spending policy related to the earnings on the endowment.

Note 4. Related Party Transactions

Compeer, Inc. is a related party through common board members. The boards are completely separate in 2011.

Compeer, Inc. has a term loan due in monthly installments of \$1,076, including interest at 6% due December 2018. Amounts owed to Compeer from Compeer, Inc. were \$81,872 and \$89,617 at December 31, 2010 and 2009, respectively. Interest income from this agreement was \$5,166 and \$5,616 for the years ended December 31, 2010 and 2009, respectively.

Included in accounts receivable are amounts due from Compeer, Inc. of \$2,534 and \$2,399 as of December 31, 2010 and 2009, respectively, for 401k and shared office use expenses.

Compeer also charges Compeer, Inc. for shared personnel, office space and equipment. Shared services revenue from Compeer, Inc. totaled \$24,845 and \$26,635 for the years ended December 31, 2010 and 2009, respectively.

Note 5. Beneficial Interest in Pooled Life Income Fund

Compeer has been named a remainder beneficiary of two gifts to the pooled life income fund of United Way of Greater Rochester, Inc. Upon the death of each donor, the value of these funds will be distributed to Compeer. An asset for these gifts has been recognized at the fair value of the assets contributed. Compeer's share of the fair market value of the fund is \$65,277 and \$69,068 as of December 31, 2010 and 2009, respectively. Changes in the value of the fund have been reported in the statements of activities and changes in net assets as changes in temporarily restricted net assets.

Note 6. Line of Credit

Compeer has available a \$250,000 line of credit which bears interest at the greater of prime plus .25% or 6%, and is secured by Compeer's assets. The interest rate at December 31, 2010 was 6%. The security agreement also contains a provision that pledged investments must maintain a minimum value of no less than \$265,000 at all times. The outstanding balance on the line of credit was \$90,500 and \$112,000 at December 31, 2010 and 2009, respectively. The line of credit is due on demand.

COMPEER ROCHESTER, INC.
Notes to Financial Statements

Note 7. Concentrations

Compeer receives funds from two entities representing approximately 63% of total support.

Note 8. Lease Commitments

Compeer leases its office space under a lease agreement expiring December 31, 2014. In addition to base rentals, Compeer is responsible for the payment of certain expenses, such as utilities and real estate taxes related to their portion of the premises. Rent expense totaled \$58,035 and \$54,870 for the years ended December 31, 2010 and 2009, respectively.

Note 9. Benefit Plan

Compeer sponsors a defined contribution plan covering all employees who have reached the age of 21 years and completed one year of service. Compeer matches 100% of employee contributions up to 3% of employee wages. In addition, the Board of Directors may approve a discretionary contribution to the Plan.

Matching contributions to the plan totaled \$10,759 and \$13,458 for the years ended December 31, 2010 and 2009, respectively. There were no discretionary contributions during 2010 or 2009.

Note 10. Supplemental Cash Flow Information

	<u>2010</u>	<u>2009</u>
Cash paid during the year for:		
Interest	\$ 7,476	\$ 5,333