

COMPEER ROCHESTER, INC.

**Financial Statements
as of December 31, 2017
Together with
Independent Auditor's Report**

INDEPENDENT AUDITOR'S REPORT

June 18, 2018

To the Board of Directors of
Compeer Rochester, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Compeer Rochester, Inc. (a New York not-for-profit corporation), which comprise the balance sheet as of December 31, 2017, and the related statements of activities and change in net assets, 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.

Auditor's 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 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 organization'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 organization'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 Compeer Rochester, Inc. as of December 31, 2017, 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.

Report on Summarized Comparative Information

We have previously audited Compeer Rochester, Inc.'s 2016 financial statements, and our report dated April 20, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RDG+Partners CPAs PLLC

Pittsford, New York

COMPEER ROCHESTER, INC.

BALANCE SHEET

DECEMBER 31, 2017

(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	\$ 332,759	\$ 89,263
Accounts receivable	37,338	31,085
Investments	164,640	160,864
Prepaid expenses and other current assets	<u>16,498</u>	<u>14,693</u>
Total current assets	551,235	295,905
BENEFICIAL INTEREST IN POOLED LIFE INCOME FUND	75,925	69,185
RESTRICTED INVESTMENTS	346,135	318,689
OFFICE EQUIPMENT, net of accumulated depreciation of \$110,893 and \$105,544 as of December 31, 2017 and 2016, respectively	<u>20,094</u>	<u>10,443</u>
	<u>\$ 993,389</u>	<u>\$ 694,222</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Line-of-credit	\$ 230,372	\$ 204,472
Accounts payable	7,734	8,619
Accrued payroll and related expenses	36,255	37,985
Deferred revenue	<u>77,854</u>	<u>75,999</u>
Total current liabilities	<u>352,215</u>	<u>327,075</u>
NET ASSETS:		
Unrestricted - Board Designated	164,640	160,864
Unrestricted	342,439	83,409
Temporarily restricted	95,156	83,935
Permanently restricted	<u>38,939</u>	<u>38,939</u>
Total net assets	<u>641,174</u>	<u>367,147</u>
	<u>\$ 993,389</u>	<u>\$ 694,222</u>

The accompanying notes are an integral part of these statements.

COMPEER ROCHESTER, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (With Comparative Totals for 2016)

	2017			Total	2016
	Unrestricted	Temporarily Restricted	Permanently Restricted		
SUPPORT AND REVENUE:					
Government grant contracts	\$ 586,246	\$ -	\$ -	\$ 586,246	\$ 512,116
Prior period revenue	216,795	-	-	216,795	-
Fee for service	30,744	-	-	30,744	19,137
Contributions	47,616	-	-	47,616	42,913
United Way	100,051	-	-	100,051	67,901
Other grants	23,446	-	-	23,446	94,208
Special events	172,647	-	-	172,647	182,987
Total support and revenue	<u>1,177,545</u>	<u>-</u>	<u>-</u>	<u>1,177,545</u>	<u>919,262</u>
EXPENSES:					
Program	805,376	-	-	805,376	728,043
Management and general	91,904	-	-	91,904	113,858
Fundraising	29,899	-	-	29,899	53,031
Cost of direct benefit to donors	32,824	-	-	32,824	31,333
Total expenses	<u>960,003</u>	<u>-</u>	<u>-</u>	<u>960,003</u>	<u>926,265</u>
OTHER INCOME (EXPENSE):					
Interest and dividends	9,821	810	-	10,631	10,519
Net realized and unrealized gain on investments	44,482	3,671	-	48,153	32,955
Change in value of pooled life income fund	-	6,740	-	6,740	5,215
Interest expense	(9,039)	-	-	(9,039)	(8,412)
Total other income, net	<u>45,264</u>	<u>11,221</u>	<u>-</u>	<u>56,485</u>	<u>40,277</u>
CHANGE IN NET ASSETS	262,806	11,221	-	274,027	33,274
NET ASSETS - beginning of year	<u>244,273</u>	<u>83,935</u>	<u>38,939</u>	<u>367,147</u>	<u>333,873</u>
NET ASSETS - end of year	<u>\$ 507,079</u>	<u>\$ 95,156</u>	<u>\$ 38,939</u>	<u>\$ 641,174</u>	<u>\$ 367,147</u>

The accompanying notes are an integral part of these statements.

COMPEER ROCHESTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

(With Comparative Totals for 2016)

	2017					
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Cost of Direct Benefit to Donors</u>	<u>Total</u>	<u>2016</u>
Salaries	\$ 465,679	\$ 59,824	\$ -	\$ -	\$ 525,503	\$ 520,766
Occupancy	63,303	7,034	-	-	70,337	69,948
Employee benefits	56,030	7,198	-	-	63,228	66,530
Subcontractors	47,676	-	15,000	-	62,676	46,416
Payroll taxes	33,563	4,312	-	-	37,875	38,861
Public relations	31,819	-	-	-	31,819	7,404
Food and room rental (special events)	-	-	6,968	16,525	23,493	20,285
Golf course fees	-	-	6,257	16,299	22,556	20,005
Client enrichment	21,935	-	-	-	21,935	8,243
Insurance	16,140	1,793	-	-	17,933	14,275
Meetings and travel	9,406	1,045	-	-	10,451	7,518
Legal and professional	-	9,325	-	-	9,325	8,325
Telephone	7,537	838	-	-	8,375	7,858
Equipment and technology	8,079	-	-	-	8,079	51,323
Payroll processing	5,357	-	-	-	5,357	5,240
Depreciation	4,815	535	-	-	5,350	3,712
Service charge	4,771	-	-	-	4,771	3,088
Volunteer recruitment	4,647	-	-	-	4,647	5,927
Supplies	3,374	-	643	-	4,017	3,726
Other	21,245	-	1,031	-	22,276	16,815
Total expenses	<u>\$ 805,376</u>	<u>\$ 91,904</u>	<u>\$ 29,899</u>	<u>\$ 32,824</u>	<u>\$ 960,003</u>	<u>\$ 926,265</u>

The accompanying notes are an integral part of these statements.

COMPEER ROCHESTER, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 274,027	\$ 33,274
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	5,350	3,712
Change in value of pooled life income fund	(6,740)	(5,215)
Net realized and unrealized gain on investments	(48,153)	(32,955)
Changes in:		
Accounts receivable	(6,253)	(11,442)
Prepaid expenses and other current assets	(1,805)	(4,720)
Accounts payable	(885)	699
Accrued payroll and related expenses	(1,730)	4,329
Deferred revenue	1,855	75,999
Net cash flow from operating activities	<u>215,666</u>	<u>63,681</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of investments	(8,437)	(8,437)
Proceeds from sale of investments	25,368	25,000
Purchases of office equipment	<u>(15,001)</u>	<u>(7,819)</u>
Net cash flow from investing activities	<u>1,930</u>	<u>8,744</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Net borrowings on line-of-credit	<u>25,900</u>	<u>7,130</u>
Net cash flow from financing activities	<u>25,900</u>	<u>7,130</u>
CHANGE IN CASH AND EQUIVALENTS	243,496	79,555
CASH AND EQUIVALENTS - beginning of year	<u>89,263</u>	<u>9,708</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 332,759</u>	<u>\$ 89,263</u>

The accompanying notes are an integral part of these statements.

COMPEER ROCHESTER, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

1. ORGANIZATION

The primary purpose of Compeer Rochester, Inc. (Compeer) is to provide one-to-one support for men, women, and children receiving mental health care so that they can live successful lives in their communities. This is accomplished by educating the community on mental health recovery and the awareness of Compeer's successful and cost-effective service outcomes. Community volunteers are screened, trained and supported in intentional friendships to encourage and practice improved life skills, as well as foster individual socialization experiences.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting -

Compeer's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Financial Reporting -

Compeer categorizes net assets and activities as unrestricted, temporarily restricted, or permanently restricted. At December 31, 2017 and 2016, Compeer reported net assets as follows:

- Unrestricted - Unrestricted net assets include operating resources available for the support of Compeer's operating activities.
- Temporarily Restricted - Temporarily restricted net assets include resources donated to Compeer subject to time or purpose restrictions as defined by the donor.
- Permanently Restricted - Permanently restricted net assets include resources subject to donor-imposed restrictions that may be maintained permanently by Compeer.

Cash and Equivalents -

Compeer's cash consists of bank deposit accounts. For the purposes of balance sheet presentation and statement of cash flows, all short-term investments with an original maturity of three months or less are considered to be cash equivalents. These accounts may, at times, exceed federally insured limits. Compeer has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk with respect to cash and equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue -

A portion of Compeer's revenue is derived from grants and service agreements with government agencies. Compeer recognizes revenue when the services are provided, or the related expenses are incurred, depending on the nature of the funding terms. Certain revenues are subject to retroactive audit by the government agencies. To the extent these changes related to prior years, any changes resulting from these audits are recognized as prior-year income or expense in the year they become known. Compeer recognized a one-time revenue enhancement of \$216,795 in 2017. No amounts were received during the year ended December 31, 2016. Cash that has been received in excess of amounts earned is reported as deferred revenue.

Compeer accounts for contributions in accordance with generally accepted accounting principles, 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.

Accounts Receivable -

Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Compeer considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Beneficial Interest in Pooled Life Income Fund -

Investments are recorded at fair market value in accordance with generally accepted accounting principles. Unrealized gains or losses on investments are reflected in the statement of activities and change in net assets.

Generally accepted accounting principles also provide a framework for measuring fair value. Generally accepted accounting principles defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Generally accepted accounting principles require that the valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. Generally accepted accounting principles also establish a fair value hierarchy, which prioritizes the valuations inputs into three broad levels.

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 that are divided into net fair value of the entire fund for each participant's allocated share.

Level 1 investments are recorded at fair value based on quoted market prices. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the accompanying financial statements.

Restricted investments include balances that are required as collateral for borrowing arrangements. In addition, restricted investments include amounts permanently restricted by donors and the unappropriated earnings on such amounts.

Office Equipment -

Office equipment is recorded at cost. Depreciation is computed on the straight-line method over an estimated useful life of three to five years. It is Compeer's policy to capitalize all assets with costs, or fair market value if donated, in excess of \$1,000 with an estimated useful life of more than one year.

Income Taxes -

Compeer has received a letter of determination from the Internal Revenue Service advising it that it qualifies as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to income tax. In addition, Compeer has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Events Occurring After Reporting Date -

Compeer has evaluated events and transactions that occurred between December 31, 2017 and June 18, 2018, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Comparative Information -

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Compeer's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Reclassifications -

Certain reclassifications were made to the prior year comparative amounts to conform to the current year presentation.

3. INVESTMENTS

Investments, including those restricted for use, consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Money markets	\$ 21,527	\$ 15,530
Equities	296,314	280,800
Commodities	16,444	15,682
Fixed income	<u>176,490</u>	<u>167,541</u>
Total investments	<u>\$ 510,775</u>	<u>\$ 479,553</u>

3. INVESTMENTS (Continued)

Restricted investments consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Collateral requirements	\$ 287,965	\$ 265,000
Permanently restricted	38,939	38,939
Unappropriated earnings	<u>19,231</u>	<u>14,750</u>
Total restricted investments	<u>\$ 346,135</u>	<u>\$ 318,689</u>

Investments are managed by professional advisors under the guidance of the Board of Directors.

4. ENDOWMENT

The corpus of the endowment fund consists of permanently restricted and board designated net assets.

Interpretation of Relevant Law -

Compeer's Board of Directors follows the New York Prudent Management of Institutional Funds Act (NYPMIFA) and its own governing documents. To constitute a true endowment under New York law, 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.

4. ENDOWMENT

Endowment Net Asset Composition and Changes -

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance as of January 1, 2016	\$ 148,002	\$ 11,220	\$ 38,939	\$ 198,161
Interest and dividend income	9,665	854	-	10,519
Net appreciation (realized and unrealized)	30,279	2,676	-	32,955
Appropriations	<u>(27,082)</u>	<u>-</u>	<u>-</u>	<u>(27,082)</u>
Balance as of December 31, 2016	160,864	14,750	38,939	214,553
Interest and dividend income	9,821	810	-	10,631
Net appreciation (realized and unrealized)	44,482	3,671	-	48,153
Appropriations	<u>(50,527)</u>	<u>-</u>	<u>-</u>	<u>(50,527)</u>
Balance as of December 31, 2017	<u>\$ 164,640</u>	<u>\$ 19,231</u>	<u>\$ 38,939</u>	<u>\$ 222,810</u>

Return Objectives and Risk Parameters -

Compeer has adopted an investment policy for endowment assets that attempts 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>
Equity	50 - 80%
Fixed income	20 - 50%
Cash and equivalents	0 - 20%

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.

4. ENDOWMENT (Continued)

Spending Policy -

Compeer has a spending policy of appropriating for distribution each year up to 4% of its donor-restricted endowment fund's average portfolio balance for the trailing 20 quarters. In establishing this policy, Compeer considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

5. BENEFICIAL INTEREST IN POOLED LIFE INCOME FUND

Compeer has been named a remainder beneficiary of a gift to the pooled life income fund of United Way of Greater Rochester, Inc. Upon the death of the donor, the value of the fund will be distributed to Compeer. An asset for the gift has been recognized at the fair value of the assets contributed. Compeer's share of the fair market value of the fund was \$75,925 and \$69,185 as of December 31, 2017 and 2016, respectively. Changes in the value of the fund have been reported in the statement of activities and change in net asset as changes in temporarily restricted net assets.

6. LINE-OF-CREDIT

Compeer had a \$250,000 line-of-credit that incurred interest at the greater of the prime rate (4.50% and 3.75% at December 31, 2017 and 2016, respectively) plus .25% or 5%, and was secured by Compeer's assets. The agreement included a provision that pledged investments must maintain a minimum value of no less than \$265,000 at all times. The interest rate at December 31, 2015 was 5%.

During 2016, Compeer amended its line-of-credit agreement. The new line-of-credit has a borrowing limit of \$275,000, and bears interest at the greater of the prime rate plus .25% or 4%. The interest rate at December 31, 2016 was 4%. Borrowings were secured by Compeer's pledged investment account.

During 2017, Compeer amended the security agreement to include a provision that borrowings could not exceed the lesser of \$275,000 or 80% of the fair market value of the pledged investment account. Compeer's pledged investment account was \$400,140 and \$357,519 at December 31, 2017 and 2016, respectively, 80% of which is \$320,112 and \$286,015, respectively. The outstanding balance on the line-of-credit was \$230,372 and \$204,472 at December 31, 2017 and 2016, respectively. The line-of-credit is due on demand. Cash paid for interest related to the line-of-credit agreement totaled \$9,039 and \$8,412 during the years ended December 31, 2017 and 2016, respectively.

7. CONCENTRATIONS

Compeer received funding from one entity representing approximately 46% and 33% of total support and revenue for the years ended December 31, 2017 and 2016, respectively.

8. LEASE COMMITMENTS

Compeer leases its office space under a lease agreement that expires May 31, 2020. In addition to base rentals of \$4,937 per month, Compeer is responsible for the payment of certain expenses, such as utilities and real estate taxes related to their portion of the premises of \$669 per month. Rent expense totaled approximately \$70,000 for each of the years ended December 31, 2017 and 2016.

Future minimum lease payments under the terms of the above lease agreement are as follows for the years ending December 31:

2018	\$	67,272
2019		67,272
2020		<u>28,030</u>
	\$	<u>162,574</u>

9. BENEFIT PLAN

Compeer sponsors a defined contribution plan covering all employees who have reached the age of 21 years, worked at least 1,000 hours, 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 \$5,019 and \$6,579 for the years ended December 31, 2017 and 2016, respectively. There were no discretionary contributions during 2017 or 2016.

10. DONATED SERVICES

Compeer has many benefactors who have made significant contributions of their time, facilities, or other forms of non-monetary giving. Generally accepted accounting principles do not allow the recognition of these contributions, unless they would normally need to be purchased to maintain operations. No contributions met the requirements set forth by generally accepted accounting principles for recognition for either of the years ended December 31, 2017 or 2016.