Community Providers of Adolescent Services, Inc.
d/b/a COMPASS

Financial Statements
Years Ended June 30, 2011 and 2010

and

Report on Internal Control and Compliance
Year Ended June 30, 2011

Kirkland Albrecht & Fredrickson, LLC
CERTIFIED PUBLIC ACCOUNTANTS

COMMUNITY PROVIDERS OF ADOLESCENT SERVICES, INC.
d/b/a COMPASS

FINANCIAL STATEMENTS
Years Ended June 30, 2011 and 2010

REPORT ON INTERNAL CONTROL AND COMPLIANCE
Year Ended June 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Community Providers of Adolescent Services, Inc.
d/b/a COMPASS
Dorchester, Massachusetts

We have audited the accompanying statements of financial position of Community Providers of Adolescent Services, Inc. d/b/a Compass (the Organization) (a not-for-profit organization) as of June 30, 2011 and 2010, and the related statements of activities, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 Community Providers of Adolescent Services, Inc. d/b/a Compass as of June 30, 2011 and 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011, on our consideration of Community Providers of Adolescent Services, Inc. d/b/a Compass' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Kirkland Albrecht & Fredrickson, LLC

Kirkland Albrecht & Fredrickson, LLC
Braintree, Massachusetts

November 1, 2011

COMMUNITY PROVIDERS OF ADOLESCENT SERVICES, INC.
d/b/a COMPASS

Statements of Financial Position
June 30, 2011 and 2010

ASSETS

	2011	2010
CURRENT ASSETS:		
Cash and cash equivalents	**$ 424,014**	$ 454,007
Accounts receivable, net	**683,033**	733,967
Due from employees	**5,928**	4,798
Prepaid expenses	**27,001**	43,074
Total current assets	**1,139,976**	1,235,846
PROPERTY AND EQUIPMENT, NET	**1,045,368**	317,058
INVESTMENTS, at fair value	**692,352**	551,912
OTHER ASSETS:		
Investment in building	**-**	407,423
Deposits	**25,387**	25,387
Total other assets	**25,387**	432,810
Total assets	**$ 2,903,083**	$ 2,537,626

LIABILITIES AND NET ASSETS

	2011	2010
CURRENT LIABILITIES:		
Demand note payable	**$ 50,250**	$ -
Current portion of long-term debt	**25,039**	24,205
Current portion of obligations under capital lease	**7,847**	36,798
Accounts payable	**53,966**	46,322
Accrued expenses	**582,866**	396,672
Total current liabilities	**719,968**	503,997
OTHER LIABILITIES:		
Long-term debt, net of current portion	**189,996**	213,970
Capital lease obligations, net of current portion	**-**	7,847
Total liabilities	**909,964**	725,814
NET ASSETS:		
Unrestricted	**1,256,297**	1,254,900
Board designated	**692,352**	551,912
Total unrestricted net assets	**1,948,649**	1,806,812
Temporarily restricted	**44,470**	5,000
Total net assets	**1,993,119**	1,811,812
Total liabilities and net assets	**$ 2,903,083**	$ 2,537,626

See notes to financial statements.

COMMUNITY PROVIDERS OF ADOLESCENT SERVICES, INC.
d/b/a COMPASS

Statements of Activities
Year Ended June 30, 2011 (with comparative totals for 2010)

	2011			2010
	Unrestricted	**Temporarily Restricted**	**Total**	Total
REVENUES AND OTHER SUPPORT:				
Program service fees and reimbursements	**$ 4,388,890**	**$ -**	**$ 4,388,890**	$ 3,948,622
Consulting income	**-**	**-**	**-**	178,329
Contributions	**71,240**	**90,142**	**161,382**	216,539
Grants	**16,046**	**-**	**16,046**	40,000
Investment income	**14,793**	**-**	**14,793**	17,409
In kind revenue	**457,900**	**-**	**457,900**	-
Miscellaneous revenue	**40,356**	**-**	**40,356**	5,537
Net assets released from restrictions	**50,672**	**(50,672)**	**-**	-
Total revenues and other support	**5,039,897**	**39,470**	**5,079,367**	4,406,436
EXPENSES AND LOSSES:				
Program services	**3,969,875**	**-**	**3,969,875**	3,708,097
Supporting services:				
Management and general	**962,494**	**-**	**962,494**	772,394
Fundraising	**92,764**	**-**	**92,764**	83,519
Total supporting services	**1,055,258**	**-**	**1,055,258**	855,913
Total expenses	**5,025,133**	**-**	**5,025,133**	4,564,010
Net realized and unrealized gain on investments	**127,073**	**-**	**127,073**	108,373
Loss on abandoned asset	**-**	**-**	**-**	(32,218)
Loss on sale of asset	**-**	**-**	**-**	(1,313)
Total gains and losses	**127,073**	**-**	**127,073**	74,842
Change in net assets	**141,837**	**39,470**	**181,307**	(82,732)
NET ASSETS, BEGINNING OF YEAR	**1,806,812**	**5,000**	**1,811,812**	1,894,544
NET ASSETS, END OF YEAR	**$ 1,948,649**	**$ 44,470**	**$ 1,993,119**	$ 1,811,812

See notes to financial statements.

COMMUNITY PROVIDERS OF ADOLESCENT SERVICES, INC.
d/b/a COMPASS

Statement of Activities

Year Ended June 30, 2010

	2010		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT:			
Program service fees and reimbursements	$ 3,948,622	$ -	$ 3,948,622
Consulting income	178,329	-	178,329
Contributions	164,889	51,650	216,539
Grants	40,000	-	40,000
Investment income	17,409	-	17,409
In kind revenue	-	-	-
Miscellaneous revenue	5,537	-	5,537
Net assets released from restrictions	188,535	(188,535)	-
Total revenues and other support	4,543,321	(136,885)	4,406,436
EXPENSES AND LOSSES:			
Program services	3,708,097	-	3,708,097
Supporting services:			
Management and general	772,394	-	772,394
Fundraising	83,519	-	83,519
Total supporting services	855,913	-	855,913
Total expenses	4,564,010	-	4,564,010
Net realized and unrealized gain (loss) on investments	108,373	-	108,373
Loss on abandoned asset	(32,218)	-	(32,218)
Loss on sale of asset	(1,313)	-	(1,313)
Total gains and losses	74,842	-	74,842
Change in net assets	54,153	(136,885)	(82,732)
NET ASSETS, BEGINNING OF YEAR	1,752,659	141,885	1,894,544
NET ASSETS, END OF YEAR	$ 1,806,812	$ 5,000	$ 1,811,812

See notes to financial statements.

COMMUNITY PROVIDERS OF ADOLESCENT SERVICES, INC.
d/b/a COMPASS
Statements of Functional Expenses
Years Ended June 30, 2011 and 2010

	Program Services										Supporting Services			2011
	1	2	9	10	14	16	20	21	22					
	766 Day School	Family Based Services	Transportation	ASAP After School	Consulting	Intensive Support	Short Term Crisis	Summer	Barron	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Employee compensation and related expenditures	$ 1,113,059	$ 647,851	$ 62,889	$ 35,485	$ -	$ 206,583	$ 800,174	$ 140,893	$ 33,731	$ 3,040,665	$ 452,082	$ 65,437	$ 517,519	$ 3,558,184
Occupancy	182,312	18,136	-	-	-	-	132,017	-	-	332,465	132,858	8,981	141,839	474,304
Other program cost, operating expense	158,092	98,215	88,495	3,705	-	37,773	88,735	21,938	672	497,625	11,925	1,284	13,209	510,834
Administrative expense	13,617	9,330	-	-	-	6,762	14,104	32	-	43,845	257,263	16,068	273,331	317,176
Depreciation and Amortization	20,167	2,738	10,871	-	-	51	21,448	-	-	55,275	108,366	994	109,360	164,635
	$ 1,487,247	$ 776,270	$ 162,255	$ 39,190	$ -	$ 251,169	$ 1,056,478	$ 162,863	$ 34,403	$ 3,969,875	$ 962,494	$ 92,764	$ 1,055,258	$ 5,025,133

	Program Services										Supporting Services			2010
	1	2	9	10	14	16	20	21	22					
	766 Day School	Family Based Services	Transportation	ASAP After School	Consulting	Intensive Support	Short Term Crisis	Summer	Barron	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Employee compensation and related expenditures	$ 986,381	$ 559,680	$ 40,911	$ 19,436	$ 167,769	$ 165,738	$ 600,900	$ 155,316	$ 32,793	2,728,924	$ 411,739	$ 62,507	$ 474,246	$ 3,203,170
Occupancy	207,915	16,578	214	-	-	-	116,009	170	-	340,886	135,304	8,268	143,572	484,458
Other program cost, operating expense	133,545	81,685	74,839	5,779	49,479	42,719	56,722	6,252	5,039	456,059	18,771	955	19,726	475,785
Administrative expense	27,972	8,855	-	365	47,015	427	15,851	192	-	100,677	201,916	8,828	210,744	311,421
Depreciation and Amortization	26,864	6,222	30,036	-	-	-	18,429	-	-	81,551	4,664	2,961	7,625	89,176
	$ 1,382,677	$ 673,020	$ 146,000	$ 25,580	$ 264,263	$ 208,884	$ 807,911	$ 161,930	$ 37,832	$ 3,708,097	$ 772,394	$ 83,519	$ 855,913	$ 4,564,010

COMMUNITY PROVIDERS OF ADOLESCENT SERVICES, INC.
d/b/a COMPASS

Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	**$ 181,307**	$ (82,732)
Adjustments to reconcile change in net assets to net cash provided by in operating activities:		
Changes in assets and liabilities:		
Depreciation and amortization	**164,635**	89,176
Net realized and unrealized gains on investments	**(127,073)**	(108,373)
Loss on abandoned asset	**-**	32,218
Loss on sale of asset	**-**	1,313
In-kind contribution	**(445,400)**	-
Bad debt expense	**-**	32,806
(Increase) decrease in:		
Accounts receivable	**50,934**	254,460
Due from employees	**(1,130)**	3,629
Prepaid expenses	**16,073**	9,276
Increase (decrease) in:		
Accounts payable	**7,644**	(51,265)
Accrued expenses	**186,194**	27,864
Other current liabilities	**-**	(51,096)
Net cash provided by operating activities	**33,184**	157,276
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	**86,286**	991,754
Purchase of investments	**(99,649)**	(666,047)
Proceeds from sale of asset	**-**	5,991
Purchase of property and equipment	**(40,126)**	(319,034)
Net cash provided (used) by investing activities	**(53,489)**	12,664
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from demand note payable, net	**50,250**	-
Payments on notes payable and long-term debt	**(23,140)**	(362,840)
Payments on capital leases	**(36,798)**	(36,895)
Net cash used by financing activities	**(9,688)**	(399,735)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(29,993)**	(229,795)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**454,007**	683,802
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 424,014**	$ 454,007
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid during the year	**$ 18,089**	$ 34,472
Income taxes paid during the year	**$ -**	$ -
NON-CASH INVESTING ACTIVITIES:		
In-kind donated improvements	**$ 445,400**	$ -

During the year ended June 30, 2011, the Organization reclassified a building that was being used in operations as a fixed asset from long-term investment.

See notes to financial statements.

COMMUNITY PROVIDERS OF ADOLESCENT SERVICES, INC.
d/b/a COMPASS
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

1. ORGANIZATION

Community Providers of Adolescent Services, Inc. d/b/a COMPASS (hereinafter the "Organization") is a private non-profit educational and social service organization, providing special needs education, counseling, vocational, enrichment and outreach activities for students, and family stabilization and support services for families in crisis. Each year COMPASS provides services to over 1,000 youth, adolescents and adults. Founded in 1974, COMPASS has provided services to over 20,000 students, parents/guardians through its school based and home based service programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation – The Organization follows the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) subtopic *Presentation of Financial Statements* for not-for-profit entities. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions. The Organization may designate portions of its unrestricted net assets as board designated for various purposes.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. As of June 30, 2011 and 2010, the Organization had no permanently restricted net assets.

Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed 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 stipulations or by law. Expirations of temporary restrictions on net assets (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.

Revenue Recognition – A majority of the Organization's students are supported by the Massachusetts Department of Children and Families, the City of Boston and various other cities and towns. Therefore, the Organization is subject to the regulations and rate formulas of the Massachusetts Operational Services Division. Revenue is recorded at the Organization's rate of reimbursement as certified by the Operational Services Division. Tuition revenues are recognized when earned over the period services are performed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Contributions – Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. Contributions are recognized as an increase to unrestricted net assets when the donor makes a promise to give to the organization that is, in substance, unconditional. All donor-restricted support is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets. However, for certain restricted grants, if a restriction is fulfilled in the same time period in which the grant is received, the Organization reports the support as unrestricted.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 – Cash and cash equivalents include all highly liquid debt instruments with an original maturity of three months or less. The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organizations believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable – For financial reporting, current revenue is charged and an allowance is credited with a provision for doubtful accounts based on experience. Accounts deemed uncollectible are charged against this allowance. As of June 30, 2011 and 2010 the allowance for doubtful accounts was $0 and $141,131, respectively. Bad debt expense for the years ended June 30, 2011 and 2010 was $17,357 and $32,806, respectively.

Property, Equipment and Depreciation and Amortization – Property and equipment are recorded at cost or fair value, if received by donation, at the time such properties are received. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of $2,500. Depreciation and amortization of property and equipment is computed on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives are as follows:

Asset	Years
Computer equipment	3
Motor vehicles	5
Leasehold improvements	5
Furniture and equipment	5 and 7

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Fair Value Measurement – The Organization follows the provisions of *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification. This Topic clarifies that fair value is an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The *Fair Value Measurements and Disclosures* Topic establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. The three levels of the fair value hierarchy are described below.

Level 1 – Quoted prices that are available in active markets for identical assets or liabilities. The types of financial instruments included in Level 1 are marketable equity available for sale securities that are traded in an active exchange market.

Level 2 – Pricing inputs other than quoted prices in active markets, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Instruments included in this category are warrants and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 includes assets and liabilities whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Investments – All investments have been reported in the financial statements at fair value. The fair value of publicly traded securities is based upon quotes from the principal exchanges on which the security is traded.

The Organization has adopted the portion of Subtopic 205 of the FASB ASC that relates to "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds", effective June 30, 2009. This FASB ASC Subtopic provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. UPMIFA is a model act approved by the Uniform Law Commission (ULC; formerly known as the National Conference of Commissioners on Uniform State Laws). Effective June 30, 2009, the Commonwealth of Massachusetts adopted UPMIFA in its General Laws chapter 180A. Among UPMIFA's most significant changes is the elimination of the concept of historic dollar value threshold, the amount below which an organization cannot spend from a fund, in favor of a more robust set of guidelines about what constitutes prudent spending. The FASB ASC Subtopic serves as a guideline for states to use in enacting legislation. This guidance also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Return Objectives and Risk Parameters – The Organization had adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and activities supported by it endowment. Under this approach, the endowment assets are invested in a manner that is intended to produce results that equal or exceed relevant benchmarks while assuming a low level of investment risk. Actual returns in any given year may vary from this amount.

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

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Organization may spend its endowment assets as needed with the approval of the Board of Directors. The Organization spent a portion of its endowment assets to fund its operations and various leasehold improvements in fiscal 2011 and 2010. The Organization's investment and spending policies have been designed to limit the exposure of the endowment assets while providing for growth through new gifts and investment return. Evaluation of progress toward the investment objective shall be made with a long-term perspective.

Income Tax Status – The Organization is qualified under Section 501(c) (3) of the Internal Revenue Code and is exempt from Federal and state income taxes.

Recent Accounting Pronouncements – In May 2011, FASB issued Accounting Standards Update (ASU) 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs*, (ASU 2011-04). ASU 2011-04 amended Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, to converge the fair value measurement guidance in GAAP and International Financial Reporting Standards IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15. 2011. The management of the Organization is currently evaluating the effect that the provisions of ASU 2011-04 will have on the financial statements.

COMMUNITY PROVIDERS OF ADOLESCENT SERVICES, INC.
d/b/a COMPASS
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Recent Accounting Pronouncements...continued – In January 2010, FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures (ASC Topic 820) Improving Disclosures about Fair Value Measurements*. This ASU requires new disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The new disclosures and clarifications of existing disclosures were effective for fiscal year ending June 30, 2011, except for the disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements, which are effective for the fiscal year ending June 30, 2012. The adoption of this new guidance did not have a material impact on the financial statements.

Subsequent Events – The Organization has evaluated all events subsequent to the date of June 30, 2011, through the date which the financial statements were available to be issued, November 1, 2011, and has determined that there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*.

3. INVESTMENTS

Investments are stated at fair value and are summarized as follows at June 30, 2011:

	Cost	Fair Value	Unrealized Appreciation
Mutual funds	$ 574,427	$ 692,352	$ 117,925

During the year ended June 30, 2011, there were realized and unrealized gains on investments in the amount of $127,073.

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2011:

	Total
Investment income	$ 14,793
Net realized and unrealized gains on investments	127,073
Total	$ 141,866

3. INVESTMENTS...continued

Investments are stated at fair value and are summarized as follows at June 30, 2010:

	Cost	Fair Value	Unrealized Depreciation
Mutual funds	$ 576,686	$ 551,912	$ (24,774)

During the year ended June 30, 2010, there were realized and unrealized losses on investments in the amount of $108,373.

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2010:

	Total
Investment income	$ 17,409
Net realized and unrealized gains on investments	108,373
Total	$ 125,782

4. FAIR VALUE MEASUREMENT

The following fair value hierarchy table presents information about the Organization's assets measured at fair value on a recurring basis as of June 30, 2011:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value
Money market funds	$ 12,051	$ -	$ -	$ 12,051
Domestic stock funds	72,476	-	-	72,476
Index funds – value	123,879	-	-	123,879
Index funds – growth	224,915	-	-	224,915
ETF – emerging markets	84,745	-	-	84,745
Treasury and bond funds	174,286	-	-	174,286
	$ 692,352	$ -	$ -	$ 692,352

COMMUNITY PROVIDERS OF ADOLESCENT SERVICES, INC.
d/b/a COMPASS
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

4. FAIR VALUE MEASUREMENT...continued

The following fair value hierarchy table presents information about the Organization's assets measured at fair value on a recurring basis as of June 30, 2010:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value
Money market funds	$ 9,875	$ -	$ -	$ 9,875
Domestic stock funds	54,963	-	-	54,963
Index funds – value	105,461	-	-	105,461
Index funds – growth	104,909	-	-	104,909
ETF – emerging markets	70,623	-	-	70,623
ETF – European markets	59,739	-	-	59,739
Treasury and bond funds	146,342	-	-	146,342
	$ 551,912	$ -	$ -	$ 551,912

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2011	2010
Land and land improvements	$ 37,000	$ -
Buildings	158,000	-
Furniture and equipment	847,912	843,646
Motor vehicles	165,732	165,732
Leasehold improvements	1,445,723	319,036
	2,654,367	1,328,414
Less accumulated depreciation and amortization	1,608,999	1,011,356
Property and equipment, net	$ 1,045,368	$ 317,058

The assets recorded under capital leases as of June 30, 2011 and 2010, amounted to $165,732. Accumulated amortization for these assets under capital leases as of June 30, 2011 and 2010 was $161,594 and 140,884, respectively.

6. DEMAND NOTE PAYABLE

The Organization has a $450,000 line of credit agreement with a bank. Advances bear interest at the bank's prime rate plus 1.5%, with a floor rate of 6.0%. All borrowings are secured by all personal property and a second mortgage on the Charlestown property. The balance as of June 30, 2011 was $50,250. There was no balance on line of credit as of June 30, 2010. The line of credit, if not amended, will expire in December, 2011.

COMMUNITY PROVIDERS OF ADOLESCENT SERVICES, INC. d/b/a COMPASS

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

7. LONG-TERM DEBT

	2011	2010
6.79% note payable to a bank with monthly principal and interest payments of $3,235 with the outstanding balance due in full on June 4, 2018. Secured by all assets of the Organization. This note requires a debt service coverage ratio, of 1.10 to 1 to be tested annually at each fiscal year end. The Organization was not in compliance with this covenant at June 30, 2011. The Organization received a waiver from the bank for this covenant violation.	$ 215,035	$ 238,175
Less current portion	25,039	24,205
	$ 189,996	$ 213,970

Maturities of long-term debt for the next five years are estimated as follows:

Years	Amount
2012	$ 25,039
2013	26,793
2014	28,670
2015	30,678
2016	32,827
Thereafter	71,028
	$ 215,035

8. CAPITAL LEASES OBLIGATIONS

The Organization has entered into capital lease agreements to acquire motor vehicles. The final payments on these lease agreements are due in fiscal year 2012 and total $7,847.

Total interest expense incurred (including interest on the demand note payable in Note 6 and long-term debt in Note 7) for the years ended June 30, 2011 and 2010 amounted to $18,089 and $42,478, respectively.

COMMUNITY PROVIDERS OF ADOLESCENT SERVICES, INC.
d/b/a COMPASS
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

9. BOARD DESIGNATED NET ASSETS

The Board of Directors elected to designate a portion of the net assets as board designated. The board designated portion amounted to $692,352 as of June 30, 2011. The assets will be used to create long-term stability for the furtherance of the Organization's programs and objectives. The income from these assets remain in the board designated net assets and is not restricted and, therefore, is reflected as investment income under unrestricted net assets in the accompanying financial statements.

The Organization's endowment consists of funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment Net Asset Composition by Type of Fund as of June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	$ 692,352	$ -	$ -	$ 692,352

Changes in Endowment Net Assets for the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 551,912	$ -	$ -	$ 551,912
Investment return:				
Investment income	14,793	-	-	14,793
Net depreciation (realized and unrealized)	127,073	-	-	127,073
Total investment return	141,866	-	-	141,866
Appropriation of endowment assets for expenditure	(1,426)	-	-	(1,426)
Endowment net assets, end of year	$ 692,352	$ -	$ -	$ 692,352

COMMUNITY PROVIDERS OF ADOLESCENT SERVICES, INC.
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Notes to Financial Statements
Years Ended June 30, 2011 and 2010

9. BOARD DESIGNATED NET ASSETS…continued

Endowment Net Asset Composition by Type of Fund as of June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	$ 551,912	$ -	$ -	$ 551,912

Changes in Endowment Net Assets for the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 782,347	$ -	$ -	$ 782,347
Investment return:				
Investment income	17,344	-	-	17,344
Net depreciation (realized and unrealized)	108,373	-	-	108,373
Total investment return	125,717	-	-	125,717
Appropriation of endowment assets for expenditure	(356,152)	-	-	(356,152)
Endowment net assets, end of year	$ 551,912	$ -	$ -	$ 551,912

10. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

	2011	2010
Computer lab	$ 40,500	$ -
Autism program	3,970	5,000
	$ 44,470	$ 5,000

Restrictions are considered to expire once the expenditures are incurred for the intended purposes.

COMMUNITY PROVIDERS OF ADOLESCENT SERVICES, INC.
d/b/a COMPASS
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

11. EMPLOYEE BENEFIT PLANS

The Organization maintains a tax deferred annuity plan covering all eligible employees. Participating employees are entitled to contribute up to the maximum amount allowed by the plan. The Organization contributes to the plan for the participating employees based upon the funding requirements of the plan. During 2011 and 2010, contributions by the Organization to the plan were $130,871 and $92,745, respectively.

The Organization maintains a defined contribution plan covering all eligible employees. Participating employees may not contribute to the plan. The Organization may contribute to the plan but is not required to make a contribution for any plan year. The Organization did not make a contribution to the Plan during 2011 or 2010.

12. CONTINGENCIES AND CONCENTRATIONS OF CREDIT RISK

In accordance with the terms of its contracts with the Commonwealth of Massachusetts, the records of the Organization are subject to audit. The Organization is, therefore, contingently liable for any disallowed costs. Management believes that any adjustment which might result from such an audit would be immaterial.

Substantially all of the Organization's receivables are from state agencies, cities and towns in the Commonwealth of Massachusetts.

13. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated amongst the program and supporting services benefited.

14. COMMITMENTS

Effective July 2009, the Organization began leasing its school building facilities under an operating lease agreement which expires in June, 2019. In addition to rental costs, the Organization is also responsible for its share of real estate taxes and operating expenses. During fiscal 2008, the Organization began leasing its former administrative office space under an operating lease agreement which expires in August, 2015. The Organization is also responsible for its share of real estate taxes and operating expenses. The Organization also leases a vehicle under an operating lease expiring in June, 2014.

14. COMMITMENTS...continued

Future minimum lease payments on the school building, administrative office and the vehicle are as follows:

Years	Buildings	Vehicle	Total
2012	$ 304,240	$ 10,188	$ 314,428
2013	304,240	10,188	314,428
2014	307,458	10,188	317,646
2015	335,968	-	335,968
2016	252,605	-	252,605
Thereafter	735,000	-	735,000
	$ 2,239,511	$ 30,564	$ 2,270,075

Total rental expense for all operating leases was $304,136 and $222,158 for the years ended June 30, 2011 and 2010, respectively.

15. RELATED PARTY TRANSACTIONS

A member of the Board of Directors of the Organization is the principal of a middle school. The Organization held its afterschool program at that middle school during fiscal 2011 and 2010. There were no billings from that middle school to the Organization nor was any compensation paid to the principal by the Organization during fiscal 2011 and 2010.

16. SURPLUS REVENUE RETENTION

In accordance with The Operational Services Division (0.S.D.) Regulation, 808 C.M.R. 1.19 (3), a provider of human services is allowed to retain a portion of its change in net assets in a fiscal year (the “surplus”). A provider may retain as its surplus up to 5% of total revenue from Massachusetts sources during any fiscal year. In addition, a provider may retain a cumulative amount of surplus over a period of years not to exceed 20% of the prior year's total support and revenue from Massachusetts sources.

COMMUNITY PROVIDERS OF ADOLESCENT SERVICES, INC.
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Notes to Financial Statements
Years Ended June 30, 2011 and 2010

16. SURPLUS REVENUE RETENTION...continued

The following summarizes the Organization's calculation of the surplus for fiscal 2011 and on a cumulative basis:

Surplus balance (deficit), beginning of year	$ (800,369)
Surplus (deficit), current year	(492,137)(1)
Surplus balance (deficit), end of year	$(1,292,506)(2)

(1) Maximum surplus allowed in fiscal 2011 is $198,181

(2) Maximum surplus allowed on a cumulative basis is $792,724

$492,137 of the $2,612,181 non-Commonwealth surplus revenues generated in prior years and segregated in the net assets as surplus from the non-Commonwealth programs has been used to defray the following reimbursable expenses in the current year:

Employee salaries	$ 492,137

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Community Providers of Adolescent Services, Inc.
d/b/a COMPASS
Dorchester, Massachusetts

We have audited the financial statements of Community Providers of Adolescent Services, Inc. d/b/a Compass (a non-profit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Community Providers of Adolescent Services, Inc. d/b/a Compass' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Providers of Adolescent Services, Inc. d/b/a Compass' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and the Commonwealth of Massachusetts Operational Services Division and is not intended to be and should not be used by anyone other than these specified parties.

Kirkland Albrecht & Fredrickson, LLC

Kirkland Albrecht & Fredrickson, LLC
Braintree, Massachusetts

November 1, 2011