

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

Financial Statements  
Years Ended June 30, 2014 and 2013

and

Report on Internal Control and Compliance  
Year Ended June 30, 2014

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

FINANCIAL STATEMENTS  
Years Ended June 30, 2014 and 2013

REPORT ON INTERNAL CONTROL AND COMPLIANCE  
Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

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

***Report on the Financial Statements***

We have audited the accompanying financial statements of Community Providers of Adolescent Services, Inc. d/b/a Compass, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years 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 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 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 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 Community Providers of Adolescent Services, Inc. d/b/a Compass as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Kirkland Albrecht & Fredrickson, LLC**

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***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Providers of Adolescent Services, Inc. d/b/a Compass' internal control over financial reporting and compliance.

*Kirkland Albrecht & Fredrickson, LLC*

Kirkland Albrecht & Fredrickson, LLC  
Braintree, Massachusetts

November 5, 2014

**Kirkland Albrecht & Fredrickson, LLC**

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

Statements of Financial Position

June 30, 2014 and 2013

	<u>ASSETS</u>	
	<u>2014</u>	<u>2013</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 911,786	\$ 431,790
Accounts receivable, net	951,008	713,751
Due from employees	6,975	4,282
Prepaid expenses	23,973	25,324
	<u>1,893,742</u>	<u>1,175,147</u>
PROPERTY AND EQUIPMENT, NET	1,025,653	1,182,036
INVESTMENTS, at fair value	1,123,802	790,911
OTHER ASSETS:		
Deposits	8,068	8,068
	<u>\$ 4,051,265</u>	<u>\$ 3,156,162</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Demand note payable	\$ -	\$ 1,973
Current portion of long-term debt	30,678	28,670
Current portion of obligations under capital lease	51,879	43,161
Accounts payable	100,550	37,684
Accrued expenses	1,309,266	749,768
Deferred revenue	-	49,000
	<u>1,492,373</u>	<u>910,256</u>
OTHER LIABILITIES:		
Long-term debt, net of current portion	104,633	135,073
Capital lease obligations, net of current portion	86,167	108,587
	<u>1,683,173</u>	<u>1,153,916</u>
NET ASSETS:		
Unrestricted	1,226,290	1,191,235
Board designated	1,123,802	790,911
	<u>2,350,092</u>	<u>1,982,146</u>
Temporarily restricted	18,000	20,100
	<u>2,368,092</u>	<u>2,002,246</u>
Total liabilities and net assets	<u>\$ 4,051,265</u>	<u>\$ 3,156,162</u>

See notes to financial statements.

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

Statements of Activities

Year Ended June 30, 2014 (with comparative totals for 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUES AND OTHER SUPPORT:</b>				
Program service fees and reimbursements	\$ 7,569,561	\$ -	\$ 7,569,561	\$ 5,886,544
Contributions	24,623	45,954	70,577	116,649
Grants	-	10,000	10,000	12,246
Investment income	14,972	-	14,972	13,047
In kind revenue	-	-	-	49,000
Miscellaneous revenue	85,382	-	85,382	70,000
Net assets released from restrictions	58,054	(58,054)	-	-
Total revenues and other support	7,752,592	(2,100)	7,750,492	6,147,486
<b>OPERATING EXPENSES:</b>				
Employee compensation and related expenditures	5,682,483	-	5,682,483	4,606,625
Other program cost, operating expense	725,400	-	725,400	672,689
Occupancy	603,181	-	603,181	562,142
Administrative expense	290,022	-	290,022	300,209
Depreciation and amortization	201,479	-	201,479	197,791
Total operating expenses	7,502,565	-	7,502,565	6,339,456
<b>NON-OPERATING ACTIVITIES:</b>				
Net realized and unrealized gains on investments	117,919	-	117,919	50,622
Gain on sale of asset	-	-	-	1,537
Total non-operating activities	117,919	-	117,919	52,159
Change in net assets	367,946	(2,100)	365,846	(139,811)
NET ASSETS, BEGINNING OF YEAR	1,982,146	20,100	2,002,246	2,142,057
NET ASSETS, END OF YEAR	\$ 2,350,092	\$ 18,000	\$ 2,368,092	\$ 2,002,246

See notes to financial statements.

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

Statements of Activities

Year Ended June 30, 2013

	2013		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND OTHER SUPPORT:</b>			
Program service fees and reimbursements	\$ 5,886,544	\$ -	\$ 5,886,544
Contributions	96,549	20,100	116,649
Grants	-	12,246	12,246
Investment income	13,047	-	13,047
In kind revenue	49,000	-	49,000
Miscellaneous revenue	70,000	-	70,000
Net assets released from restrictions	15,216	(15,216)	-
<b>Total revenues and other support</b>	<b>6,130,356</b>	<b>17,130</b>	<b>6,147,486</b>
<b>OPERATING EXPENSES:</b>			
Employee compensation and related expenditures	4,606,625	-	4,606,625
Other program cost, operating expense	672,689	-	672,689
Occupancy	562,142	-	562,142
Administrative expense	300,209	-	300,209
Depreciation and amortization	197,791	-	197,791
<b>Total operating expenses</b>	<b>6,339,456</b>	<b>-</b>	<b>6,339,456</b>
<b>NON-OPERATING ACTIVITIES:</b>			
Net realized and unrealized gains on investments	50,622	-	50,622
Gain on sale of asset	1,537	-	1,537
<b>Total non-operating activities</b>	<b>52,159</b>	<b>-</b>	<b>52,159</b>
<b>Change in net assets</b>	<b>(156,941)</b>	<b>17,130</b>	<b>(139,811)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>2,139,087</b>	<b>2,970</b>	<b>2,142,057</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,982,146</b>	<b>\$ 20,100</b>	<b>\$ 2,002,246</b>

See notes to financial statements.

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

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 365,846	\$ (139,811)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Depreciation and amortization	201,479	197,791
Net realized and unrealized gains on investments	(117,919)	(50,622)
Gain on sale of assets	-	(1,537)
In-kind contribution	-	(49,000)
(Increase) decrease in:		
Accounts receivable	(237,257)	(39,444)
Due from employees	(2,693)	1,146
Prepaid expenses	1,351	27,317
Deposits	-	(1,768)
Increase (decrease) in:		
Accounts payable	62,866	15,912
Accrued expenses	559,498	86,930
Deferred revenue	(49,000)	-
Net cash provided by operating activities	<u>784,171</u>	<u>46,914</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	-	750,308
Purchase of investments	(214,972)	(813,355)
Proceeds from sale of asset	-	1,537
Purchase of property and equipment	(14,055)	(41,652)
Net cash used in investing activities	<u>(229,027)</u>	<u>(103,162)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds (payments) on demand note payable, net	(1,973)	1,969
Payments on notes payable and long-term debt	(28,432)	(26,544)
Payments on capital leases	(44,743)	(39,834)
Net cash used in financing activities	<u>(75,148)</u>	<u>(64,409)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	479,996	(120,657)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>431,790</u>	<u>552,447</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 911,786</u>	<u>\$ 431,790</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Interest paid during the year	<u>\$ 17,962</u>	<u>\$ 27,258</u>
<b>NON-CASH INVESTING ACTIVITIES:</b>		
Property and equipment acquired through capital lease obligations	<u>\$ 31,041</u>	<u>\$ 47,776</u>
Leasehold improvements acquired through in kind	<u>\$ -</u>	<u>\$ 49,000</u>

See notes to financial statements.



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

Notes to Financial Statements  
Years Ended June 30, 2014 and 2013

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**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, 2014 and 2013, 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.

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

Notes to Financial Statements  
 Years Ended June 30, 2014 and 2013

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**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 Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Accounts Receivable** – Accounts receivable are stated at the amount that management expects to collect from outstanding balances. 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. There was no allowance for doubtful accounts as of June 30, 2014 and June 30, 2013, respectively. There was no bad debt expense for the years ended June 30, 2014 and 2013, 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:

<u>Asset</u>	<u>Years</u>
Building and improvements	5-40
Motor vehicles	5
Leasehold improvements	5-10
Furniture and equipment	3-7

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

Notes to Financial Statements  
Years Ended June 30, 2014 and 2013

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued**

**Fair Value Measurement** – The Organization follows the provisions of FASB ASC Topic *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. 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.

**Level 2** – Observable inputs other than quoted prices in active markets such as quoted prices for similar assets or liabilities or quoted prices in markets that are not active.

**Level 3** – Unobservable inputs based on the Organization's assessment of the assumptions that market participants would use in pricing the asset or liability.

The following is a description of the valuation methodologies used for asset investments measured at fair value, as well as the general classification pursuant to the valuation hierarchy. There have been no changes in the methodologies used at June 30, 2014 and 2013.

- **Money Market Funds** – The fair value of the money market funds is based on quoted net asset values of the shares held at year-end. These securities are categorized in level 1 as they are actively traded and no valuation adjustments have been applied.
- **Equities and Debt Securities** – Equities (domestic and international equity funds) and debt securities (treasury and bond funds) are valued at the daily closing price as reported by the fund. These securities are required to publish their daily net asset value and to transact at that price. These securities are categorized in level 1 as they are actively traded and no valuation adjustments have been applied.

**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.

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

Notes to Financial Statements  
Years Ended June 30, 2014 and 2013

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued**

**Investments...continued** – 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”. 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).

**Return Objectives and Risk Parameters** – The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and activities supported by its 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’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.

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

Notes to Financial Statements  
 Years Ended June 30, 2014 and 2013

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued**

**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.

The Organization accounts for uncertain tax positions in accordance with FASB ASC Topic *Income Taxes*. The Topic prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. The Topic also provides guidance on recognition, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. At June 30, 2014, Management believes that the Organization has no material uncertain tax positions.

The Organization files informational tax returns in the U.S. federal and Massachusetts state jurisdictions. Management believes the Organization is no longer subject to U.S. federal and state examinations by tax authorities for years before fiscal year 2011.

**Subsequent Events** – The Organization has evaluated all events subsequent to the date of June 30, 2014, through the date which the financial statements were available to be issued, November 5, 2014, 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, 2014:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Mutual funds	\$ 1,018,096	\$ 1,123,802	\$ 105,706

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2014:

	<u>Total</u>
Interest and dividend income	\$ 21,867
Investment fees	(6,895)
Net realized and unrealized gains on investments	<u>117,919</u>
Total	<u>\$ 132,891</u>

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

Notes to Financial Statements  
 Years Ended June 30, 2014 and 2013

**3. INVESTMENTS...continued**

Investments are stated at fair value and are summarized as follows at June 30, 2013:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Depreciation</u>
Mutual funds	\$ 807,875	\$ 790,911	\$ (16,964)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2013:

	<u>Total</u>
Interest and dividend income	\$ 19,572
Investment fees	(6,525)
Net realized and unrealized gains on investments	<u>50,622</u>
Total	<u>\$ 63,669</u>

**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, 2014:

	<u>Quoted Prices (Level 1)</u>	<u>Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>	<u>Fair Value</u>
Treasury and bond funds	\$ 366,932	\$ -	\$ -	\$ 366,932
Index funds – growth	236,474	-	-	236,474
Index funds – value	228,713	-	-	228,713
Index funds – blend	147,365	-	-	147,365
World allocation funds	107,813	-	-	107,813
Money market funds	19,306	-	-	19,306
ETF – emerging markets	<u>17,199</u>	<u>-</u>	<u>-</u>	<u>17,199</u>
	<u>\$ 1,123,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,123,802</u>

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

Notes to Financial Statements  
 Years Ended June 30, 2014 and 2013

**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, 2013:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value
Treasury and bond funds	\$ 255,447	\$ -	\$ -	\$ 255,447
Index funds – growth	160,647	-	-	160,647
Index funds – value	145,505	-	-	145,505
World allocation funds	109,827	-	-	109,827
Index funds - blend	86,212	-	-	86,212
ETF – emerging markets	18,444	-	-	18,444
Money market funds	14,829	-	-	14,829
	<u>\$ 790,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 790,911</u>

**5. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	2014	2013
Land and land improvements	\$ 37,000	\$ 37,000
Building	158,000	158,000
Furniture and equipment	994,348	989,456
Motor vehicles	248,276	217,235
Building and leasehold improvements	<u>1,662,650</u>	<u>1,653,486</u>
	3,100,274	3,055,177
Less accumulated depreciation and amortization	<u>2,074,621</u>	<u>1,873,141</u>
Property and equipment, net	<u>\$ 1,025,653</u>	<u>\$ 1,182,036</u>

The assets recorded under capital leases as of June 30, 2014 and 2013, amounted to \$248,276 and \$217,235, respectively. Accumulated amortization for these assets under capital leases as of June 30, 2014 and 2013 was \$122,338 and \$77,339, respectively.

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

Notes to Financial Statements  
 Years Ended June 30, 2014 and 2013

**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. As of June 30, 2014, there was no outstanding balance on the line of credit. The balance as of June 30, 2013 was \$1,973. The line of credit, if not amended, will expire in December, 2014.

**7. LONG-TERM DEBT**

	<u>2014</u>	<u>2013</u>
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.	\$ 135,311	\$ 163,743
Less current portion	<u>30,678</u>	<u>28,670</u>
	<u>\$ 104,633</u>	<u>\$ 135,073</u>

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

<u>Years</u>	<u>Amount</u>
2015	\$ 30,678
2016	32,827
2017	35,127
2018	<u>36,679</u>
	<u>\$ 135,311</u>



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

Notes to Financial Statements  
 Years Ended June 30, 2014 and 2013

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**8. CAPITAL LEASE OBLIGATIONS**

The Organization has entered into capital lease agreements to acquire motor vehicles. Future minimum lease payments under the capital leases, together with the present value of the minimum lease payments, as of June 30, 2014, are as follows:

2015	\$ 57,152
2016	54,192
2017	<u>34,896</u>
Total minimum lease payments	146,240
Less amount representing interest	<u>8,194</u>
Present value of minimum lease payments	138,046
Less current portion	<u>51,879</u>
	<u>\$ 86,167</u>

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, 2014 and 2013 amounted to \$17,962 and \$27,258, respectively.

**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 \$1,123,802 and \$790,911 as of June 30, 2014 and 2013, respectively. 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.

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

Notes to Financial Statements  
 Years Ended June 30, 2014 and 2013

**9. BOARD DESIGNATED NET ASSETS...continued**

Endowment Net Asset Composition by Type of Fund as of June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ <u>1,123,802</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,123,802</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>790,911</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>790,911</u>
Purchases and deposits	200,000	-	-	200,000
Investment return:				
Investment income	14,972	-	-	14,972
Net appreciation (realized and unrealized)	<u>117,919</u>	<u>-</u>	<u>-</u>	<u>117,919</u>
Total investment return	<u>132,891</u>	<u>-</u>	<u>-</u>	<u>132,891</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	\$ <u>1,123,802</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,123,802</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ <u>790,911</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>790,911</u>

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

Notes to Financial Statements  
 Years Ended June 30, 2014 and 2013

**9. BOARD DESIGNATED NET ASSETS...continued**

Changes in Endowment Net Assets for the Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 677,242	\$ -	\$ -	\$ 677,242
Purchases and deposits	50,000	-	-	50,000
Investment return:				
Investment income	13,047	-	-	13,047
Net appreciation (realized and unrealized)	50,622	-	-	50,622
Total investment return	63,669	-	-	63,669
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, end of year	\$ 790,911	\$ -	\$ -	\$ 790,911

**10. RESTRICTIONS ON NET ASSETS**

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

	<u>2014</u>	<u>2013</u>
Computer literacy	\$ 10,000	\$ -
Job ready	8,000	20,100
	<u>\$ 18,000</u>	<u>\$ 20,100</u>

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, 2014 and 2013

**11. NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets released from donor restrictions by incurring expenses or costs satisfying the restricted purposes or by occurrence of events specified by the donors consisted of the following as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Various programs	\$ 58,054	\$ 15,216
	<u>\$ 58,054</u>	<u>\$ 15,216</u>

**12. 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 2014 and 2013, contributions by the Organization to the plan were \$328,438 and \$166,628, 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 2014 and 2013.

**13. 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.

**14. FUNCTIONAL ALLOCATION OF EXPENSES**

Expenses by functional classification for the years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Program services	\$ 6,322,814	\$ 5,204,212
Fundraising	82,188	96,142
Management and general	<u>1,097,563</u>	<u>1,039,102</u>
	<u>\$ 7,502,565</u>	<u>\$ 6,339,456</u>

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

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

Notes to Financial Statements  
 Years Ended June 30, 2014 and 2013

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**15. 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.

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

<u>Years</u>	<u>Amount</u>
2015	\$ 365,918
2016	280,563
2017	245,000
2018	245,000
2019	245,000
	<u>\$ 1,381,481</u>

Total rental expense for all operating leases was \$347,010 and \$316,781 for the years ended June 30, 2014 and 2013, respectively.

**16. 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 2014 and 2013. There were no billings from that middle school to the Organization nor was any compensation paid to the principal by the Organization during fiscal 2014 and 2013.

A member of the Board of Directors of the Organization is the vice president of a bank. The Organization has long-term debt outstanding to this bank. Outside of payments on the outstanding long-term debt, there were no payments made to the bank nor was any compensation paid to the vice president by the Organization during fiscal 2014 and 2013.

**17. SURPLUS REVENUE RETENTION**

In accordance with The Operational Services Division (O.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.****d/b/a COMPASS**

Notes to Financial Statements

Years Ended June 30, 2014 and 2013

**17. SURPLUS REVENUE RETENTION...continued**

The following summarizes the Organization's calculation of the surplus for fiscal 2014 and on a cumulative basis:

Surplus balance (deficit), beginning of year	\$(1,637,737)
Surplus, current year	<u>169,228</u> (1)
Surplus balance (deficit), end of year	<u>\$(1,468,509)</u> (2)

(1) Maximum surplus allowed in fiscal 2014 is \$378,478

(2) Maximum surplus allowed on a cumulative basis is \$1,177,309

INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of Community Providers of Adolescent Services, Inc. d/b/a Compass, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2014.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Community Providers of Adolescent Services, Inc. d/b/a Compass' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Providers of Adolescent Services, Inc. d/b/a Compass' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***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 from 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*.

**Kirkland Albrecht & Fredrickson, LLC**

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***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kirkland Albrecht & Fredrickson, LLC*

Kirkland Albrecht & Fredrickson, LLC  
Braintree, Massachusetts

November 5, 2014