

COMPEER WEST, INC.
Financial Statements
December 31, 2017
(With Independent Auditors' Report Thereon)

COMPEER WEST, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Compeer West, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Compeer West, Inc. (the Organization) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Compeer West, 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 the Compeer West, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 17, 2017. 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
July 20, 2018

COMPEER WEST, INC.
Statement of Financial Position
December 31, 2017
with comparative totals for 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash	\$ 80,708	206,158
Receivables:		
Erie County Department of Mental Health	2,248	16,749
Other	39,346	16,536
Total receivables	41,594	33,285
Prepaid expenses	6,738	11,596
Total current assets	129,040	251,039
Investments, at fair value	1,259,501	1,056,192
Equipment, at cost	130,922	130,922
Less accumulated depreciation	(125,198)	(120,676)
Net equipment	5,724	10,246
Total assets	\$ 1,394,265	1,317,477
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	48,486	30,192
Accrued expenses	22,026	18,923
Deferred revenue	49,534	68,107
Line of credit	-	50,000
Total current liabilities	120,046	167,222
Net assets:		
Unrestricted	1,129,219	925,254
Temporarily restricted	-	80,001
Permanently restricted	145,000	145,000
Total net assets	1,274,219	1,150,255
Total liabilities and net assets	\$ 1,394,265	1,317,477

See accompanying notes to financial statements.

COMPEER WEST, INC.
Statement of Activities
Year ended December 31, 2017
with comparative totals for 2016

	<u>Unrestricted</u>	Temporarily <u>restricted</u>	Permanently <u>restricted</u>	<u>Total</u>	
				<u>2017</u>	<u>2016</u>
Public support and revenue:					
Contributions	\$ 113,793	-	-	113,793	104,620
Erie County grants	455,594	-	-	455,594	513,742
Livingston County grants	50,195	-	-	50,195	16,773
New York State Office of Mental Health grants	250,482	-	-	250,482	148,900
Fees	68,807	-	-	68,807	29,893
Grants from foundations	273,930	-	-	273,930	233,490
Special events, less related expenses of \$115,965 in 2017 and \$66,386 in 2016	45,609	-	-	45,609	82,568
In-kind revenue	-	-	-	-	9,086
Investment income	203,312	-	-	203,312	121,208
Membership dues	20,835	-	-	20,835	4,000
Miscellaneous	13,431	-	-	13,431	-
Administrative service fee	25,000	-	-	25,000	25,000
Release from restriction	80,001	(80,001)	-	-	-
Total public support and revenue	<u>1,600,989</u>	<u>(80,001)</u>	<u>-</u>	<u>1,520,988</u>	<u>1,289,280</u>
Expenses:					
Program services	1,221,077	-	-	1,221,077	1,146,683
Management and general	175,947	-	-	175,947	156,958
Total expenses	<u>1,397,024</u>	<u>-</u>	<u>-</u>	<u>1,397,024</u>	<u>1,303,641</u>
Increase (decrease) in net assets before transfer of net assets from Compeer, Inc.	203,965	(80,001)	-	123,964	(14,361)
Transfer of net assets from Compeer, Inc.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,899</u>
Increase (decrease) in net assets	203,965	(80,001)	-	123,964	3,538
Net assets at beginning of year	<u>925,254</u>	<u>80,001</u>	<u>145,000</u>	<u>1,150,255</u>	<u>1,146,717</u>
Net assets at end of year	<u>\$ 1,129,219</u>	<u>-</u>	<u>145,000</u>	<u>1,274,219</u>	<u>1,150,255</u>

See accompanying notes to financial statements.

COMPEER WEST, INC.
Statement of Functional Expenses
Year ended December 31, 2017
with comparative totals for 2016

	Program services	Management and general	<u>Total</u>	
			<u>2017</u>	<u>2016</u>
Salaries	\$ 609,465	99,810	709,275	689,182
Payroll taxes and employee benefits	<u>146,935</u>	<u>19,069</u>	<u>166,004</u>	<u>148,535</u>
Total salaries and related benefits	756,400	118,879	875,279	837,717
Volunteer recruitment	17,288	-	17,288	55,598
Client enrichment	16,518	-	16,518	4,159
Consumer support	2,560	-	2,560	2,068
Supplies	68,142	16,132	84,274	50,138
Telephone	4,818	6,006	10,824	11,295
Postage and shipping	4,552	7,064	11,616	8,447
Insurance	15,211	-	15,211	15,661
Rent	60,494	2,188	62,682	63,044
Repairs and maintenance	1,104	7	1,111	3,121
Minor equipment	1,200	-	1,200	-
Travel	21,972	3,897	25,869	26,423
Training	1,334	8,212	9,546	10,553
Professional fees	128,785	12,125	140,910	129,658
Accounting fees	1,127	348	1,475	2,443
Depreciation	3,618	904	4,522	5,020
In-kind expense	-	-	-	9,086
OMH pass through	90,000	-	90,000	46,500
Miscellaneous	<u>25,954</u>	<u>185</u>	<u>26,139</u>	<u>22,710</u>
Total expenses	<u>\$ 1,221,077</u>	<u>175,947</u>	<u>1,397,024</u>	<u>1,303,641</u>

See accompanying notes to financial statements.

COMPEER WEST, INC.
Statement of Cash Flows
Year ended December 31, 2017
with comparative totals for 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in net assets	\$ 123,964	3,538
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	4,522	5,020
Transfer of net assets from Compeer, Inc.	-	(17,899)
Realized (gain) loss on investments	(38,463)	11,123
Net unrealized appreciation in fair value of investments	(130,479)	(101,459)
Changes in:		
Receivables	(8,309)	6,251
Prepaid expenses	4,858	4,790
Accounts payable	18,294	(32,081)
Accrued expenses	3,103	326
Deferred revenue	<u>(18,573)</u>	<u>39,928</u>
Net cash used in operating activities	<u>(41,083)</u>	<u>(80,463)</u>
Cash flows from investing activities - investment purchases, net of proceeds	<u>(34,367)</u>	<u>(30,843)</u>
Cash flows from financing activities:		
Proceeds from line of credit	120,000	50,000
Repayment of line of credit	<u>(170,000)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(50,000)</u>	<u>50,000</u>
Net decrease in cash	(125,450)	(61,306)
Cash transferred by Compeer, Inc.	-	81,529
Cash at beginning of year	<u>206,158</u>	<u>185,935</u>
Cash at end of year	<u>\$ 80,708</u>	<u>206,158</u>
Supplemental schedule of non-cash operating activities:		
Amounts transferred from Compeer, Inc.:		
Receivables	<u>\$ -</u>	<u>2,755</u>
Prepaid expenses	<u>\$ -</u>	<u>91</u>
Equipment, net	<u>\$ -</u>	<u>150</u>
Accounts payable	<u>\$ -</u>	<u>(35,466)</u>
Accrued expenses	<u>\$ -</u>	<u>(2,981)</u>
Deferred revenue	<u>\$ -</u>	<u>(28,179)</u>
In-kind revenue	<u>\$ -</u>	<u>9,086</u>
In-kind expense	<u>\$ -</u>	<u>9,086</u>

See accompanying notes to financial statements.

COMPEER WEST, INC.
Notes to Financial Statements
December 31, 2017

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Compeer West, Inc. (the Organization) was incorporated on January 31, 1994 as a not-for-profit corporation to promote the rehabilitation and support of men, women and children receiving mental health care in the Western New York region. This is accomplished by matching volunteers from the community with psychiatric and other mental health patients for the purpose of creating personal relationships that encourage and develop in such patients improved personal skills and foster individual socialization experiences. The Organization also provides support to over 50 affiliate organizations with national and international locations.

On August 31, 2016, the Organization merged with Compeer, Inc. Under the corporate realignment, Compeer West, Inc. is the surviving entity. The merger is expected to provide improved efficiencies within common areas of both organizations.

(b) Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(c) Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and may be used for any purpose designated by the Organization's Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may be or will 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 to 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.

(d) Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

COMPEER WEST, INC.
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Cash

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash.

(f) Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment 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 accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

(g) Investment Valuation

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are discussed in greater detail in note 2.

(h) Capitalization and Depreciation

Equipment is recorded at cost or fair market value at the date of the gift in the case of donated equipment. 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 equipment are recorded as unrestricted support. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property and equipment, the appropriate property and equipment accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

(i) Deferred Revenue and Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the statement of financial position as deferred revenue.

(j) Endowment

The Organization's endowment was established by donations made directly to the Organization. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of explicit donor-imposed restrictions. See note 5 for endowment detail.

COMPEER WEST, INC.
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Endowment, Continued

The New York Prudent Management of Institutional Funds Act (NYPMIFA) removes the prohibition on appropriations below the historic dollar value of endowment funds absent explicit donor stipulations to the contrary.

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. Alternatives to expenditure of the endowment fund.
8. The investment policies of the Organization.

(k) Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

(l) Donated Materials, Food, Supplies and Personal Services

Donated materials, food, supplies and personal services are reflected in the financial statements based on fair market value at the time of the donation.

(m) Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(n) Subsequent Events

The Organization has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

COMPEER WEST, INC.
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(o) Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code); therefore, no provision for income taxes is reflected in the financial statements. The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Organization presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Organization has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Organization are subject to examination by taxing authorities.

(p) Reclassifications

Reclassifications have been made to certain 2016 balances in order to conform them to the 2017 presentation.

(2) Investments

Financial Investments

The cost and fair value of investments at December 31, 2017 and 2016 are summarized as follows:

	2017		2016	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash equivalents	\$ 26,102	26,102	22,088	22,088
Equity securities	<u>989,338</u>	<u>1,233,399</u>	<u>920,522</u>	<u>1,034,104</u>
	<u>\$ 1,015,440</u>	<u>1,259,501</u>	<u>942,610</u>	<u>1,056,192</u>

Investments in equity securities are stated at fair value. The fair value of securities is based on quotations obtained from national securities exchanges. In accordance with the policy of carrying investments at fair value, the change in net unrealized appreciation or depreciation is included in the statement of activities. A summary of investment income for the years ended December 31, 2017 and 2016 is as follows:

	2017	2016
Interest and dividends	\$ 34,370	30,872
Realized gain (loss) loss on investments	38,463	(11,123)
Net unrealized appreciation in fair value of investments	<u>130,479</u>	<u>101,459</u>
Total investment income	\$ <u>203,312</u>	<u>121,208</u>

COMPEER WEST, INC.
Notes to Financial Statements, Continued

(2) Investments, Continued

Fair Value Measurements

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Level 1 assets and liabilities are those whose inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access. Investments held by the Organization are classified as level 1 in the fair value hierarchy.

(3) Line of Credit

The Organization has a \$150,000 line of credit which is due on demand and collateralized by receivables and equipment. The line of credit bears interest at the prime rate plus 2.50% (6.5% at December 31, 2017). There was no outstanding balance on the line of credit as of December 31, 2017. There was an outstanding balance on the line of credit which amounted to \$50,000 as of December 31, 2016.

(4) Temporarily Restricted Net Assets

At December 31, 2016, temporarily restricted net assets amounted to \$80,001 and consisted of grants from the Peter and Elizabeth C. Tower Foundation. During the year ended December 31, 2017, all restrictions were met and the assets released.

(5) Permanently Restricted Net Assets

Permanently restricted net assets (endowments) at December 31, 2017 and 2016 amounted to \$145,000 and are restricted to investment in perpetuity, the income from which may be expended to support the general operations of the Organization.

The Board of Directors of the Organization has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation on permanently restricted endowment gifts, beyond the original gift amount, follows the donor's restrictions on the use of the related income.

COMPEER WEST, INC.
Notes to Financial Statements, Continued

(5) Permanently Restricted Net Assets, Continued

(a) Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in investments that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

(b) Spending Policy

The Organization has a policy of expending funds as needed to aid in operations for the Organization at the discretion of the Board of Directors. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

(6) Retirement Plan

The Organization has a defined contribution retirement plan underwritten by Mutual of America Life Insurance Company. All employees who are at least age 21 and have earned at least \$400 during the year will be included in the plan. The Organization's contributions are discretionary and the Organization may contribute up to the lesser of 15% of compensation or \$30,000 per year. Participants are fully vested from their first day of participation in the plan. The Organization's policy is to contribute 5% of the participant's annual salary and to fund the current retirement benefit costs accrued which amounted to \$29,865 and \$27,610 for the years ended December 31, 2017 and 2016, respectively.

(7) Economic Dependency

A material part of the Organization's funding is dependent upon a few grants, the loss of any one would have a material adverse effect on the Organization. In 2017 and 2016, the ECDMH grant accounted for 30% and 40%, respectively, of the Organization's total public support and revenue.

COMPEER WEST, INC.
Notes to Financial Statements, Continued

(8) Transfer of Net Assets

Effective August 31, 2016, Compeer Inc. was dissolved and merged into Compeer West, Inc.
Net assets transferred were as follows:

Cash	\$ 81,529
Receivables	2,755
Prepaid expenses	91
Equipment, net	150
Accounts payable	(35,466)
Accrued expenses	(2,981)
Deferred revenue	<u>(28,179)</u>
	\$ <u>17,899</u>