

November 20, 2013

To the Board of Trustees  
Compass, Inc.

We have audited the financial statements of Compass, Inc. for the year ended June 30, 2013, and have issued our report thereon dated November 20, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 21, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Compass, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

Management's estimate of promises to give is based on management's estimate of future collection of these promises. We evaluated the key factors and assumptions used to develop the allowance for collectible promises to give in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimates of the value of donated services and in-kind contribution of rent are based on the value of comparable purchased services and rent values. We evaluated key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of grants receivable and concentration of revenues from governmental agencies as well as allocation of expenses to each grant.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 20, 2013.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Trustees and management of Compass, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Liggett, Vocht & Webb, P.A.*

LIGGETT, VOGT & WEBB, P.A.  
*Certified Public Accountants*

Boynton Beach, Florida

**COMPASS, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

## COMPASS, INC.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Compass, Inc.  
Lake Worth, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Compass, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, 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 audit. 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. 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 Compass, Inc. as of June 30, 2013 and 2012, 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.

***Other Matters***

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013, on our consideration of Compass, Inc.'s 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 Compass, Inc.'s internal control over financial reporting and compliance.

*Liggett, Vocht & Webb, P.A.*

LIGGETT, VOGT & WEBB, P.A.  
*Certified Public Accountants*

Boynton Beach, Florida  
November 20, 2013

**COMPASS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
Cash	\$ 187,671	\$ 51,636
Grants receivable	74,792	139,140
Promises to give	12,970	22,145
Prepaid expenses	5,708	5,708
<b>Total current assets</b>	281,141	218,629
Property and Equipment, net	760,428	878,383
Deposits and Other Assets	4,950	4,950
<b>Total assets</b>	\$ 1,046,519	\$ 1,101,962
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 2,131	\$ 10,034
Accrued expenses	20,519	24,981
Deferred Revenue	25,000	17,500
Capital leases, current portion	24,310	31,412
Line of Credit	150,000	-
<b>Total current liabilities</b>	221,960	83,927
Capital Leases, less current portion	-	23,078
<b>Total liabilities</b>	221,960	107,005
Net Assets		
Unrestricted	802,411	981,343
Temporarily restricted	22,148	13,614
Permanently Restricted	-	-
<b>Total net assets</b>	824,559	994,957
<b>Total liabilities and net assets</b>	\$ 1,046,519	\$ 1,101,962

See accompanying notes to financial statements.

**COMPASS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013			2012			
	Unrestricted	Temporarily		Total	Unrestricted	Temporarily	
		Restricted	Restricted			Restricted	Restricted
<b>Public Support, Revenues and Reclassifications</b>							
Contributions	\$ 410,903	\$ 22,148	\$ 433,051	\$ 300,254	\$ 13,614	\$ 313,868	
Federal financial assistance	712,347	-	712,347	642,973	-	642,973	
State financial assistance	56,640	-	56,640	225,560	-	225,560	
Local financial assistance	89,616	-	89,616	97,788	-	97,788	
Outreach activities, net	103,070	-	103,070	107,335	-	107,335	
Net assets released from restrictions	-	-	-	-	-	-	
Satisfaction of purpose restrictions	13,614	(13,614)	-	1,000	(1,000)	-	
<b>Total public support, revenues and reclassifications</b>	<b>1,386,190</b>	<b>8,534</b>	<b>1,394,724</b>	<b>1,374,910</b>	<b>12,614</b>	<b>1,387,524</b>	
<b>Expenses</b>							
Program Services							
H.O.P.E. (CSC)	130,505	-	130,505	128,384	-	128,384	
HIV Prevention	194,153	-	194,153	159,598	-	159,598	
Early Intervention	121,943	-	121,943	242,663	-	242,663	
Ryan White Title I	456,258	-	456,258	469,896	-	469,896	
Supporting Services							
General and administrative	437,397	-	437,397	371,612	-	371,612	
Outreach activities	224,866	-	224,866	222,328	-	222,328	
<b>Total expenses</b>	<b>1,565,122</b>	<b>-</b>	<b>1,565,122</b>	<b>1,594,481</b>	<b>-</b>	<b>1,594,481</b>	
<b>Change in net assets</b>	<b>(178,932)</b>	<b>8,534</b>	<b>(170,398)</b>	<b>(219,571)</b>	<b>12,614</b>	<b>(206,957)</b>	
Net assets at beginning of year	981,343	13,614	994,957	1,200,914	1,000	1,201,914	
Net assets at end of year	\$ 802,411	\$ 22,148	\$ 824,559	\$ 981,343	\$ 13,614	\$ 994,957	

See accompanying notes to financial statements.



**COMPASS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Early					Total	
	Youth:	HIV Prevent:	Intervention	Ryan White	General & Outreach		
	H.O.P.E./P.R.E.P.	SNS/HIP/Mpwr	DOH CM	Title I	Admin.	Activities	
Salaries	\$ 54,031	\$ 104,452	\$ 48,950	\$264,868	\$ -	\$199,471	\$ 671,772
Employee health benefits	6,241	16,533	8,965	38,178	-	23,958	93,875
Payroll taxes	5,500	10,641	4,228	28,753	-	20,078	69,200
<b>Total salaries and related expenses</b>	<b>65,772</b>	<b>131,626</b>	<b>62,143</b>	<b>331,799</b>	<b>-</b>	<b>243,507</b>	<b>834,847</b>
Advertising	73	73	73	73	-	73	365
Contract labor	-	-	-	11,538	-	-	11,538
Depreciation and amortization	-	-	-	-	152,195	-	152,195
Education and training	3,312	3,312	3,312	3,312	-	3,312	16,560
Equipment lease	790	790	790	790	-	790	3,950
Food and beverage	1,282	910	264	28,838	9,234	264	40,792
Insurance	2,063	2,063	2,063	2,063	-	2,061	10,313
Interest	-	-	-	-	9,010	-	9,010
Program Event Expense	11,959	11,959	11,959	11,959	26,499	11,961	86,296
Bank Fees	920	920	920	920	920	920	5,520
Postage	1,069	1,069	204	1,069	1,935	1,071	6,417
Printing	3,685	3,685	3,685	3,685	3,685	3,686	22,111
Professional fees	7,899	4,849	4,849	4,849	4,850	4,850	32,146
Rent	1,944	3,160	1,944	8,508	191,734	10,849	218,139
Repairs and maintenance	3,293	3,293	3,293	3,293	3,293	3,294	19,759
Supplies	2,847	2,847	2,847	2,847	10,444	3,559	25,391
Taxes and licenses	319	319	319	319	319	319	1,914
Telephone, Internet (Communications)	1,709	1,709	1,709	1,709	1,709	1,709	10,254
Travel and transportation	3,470	3,470	3,470	8,371	3,470	3,470	25,721
Utilities	5,314	5,314	5,314	5,314	5,314	5,314	31,884
<b>Total expenses, June 30, 2013</b>	<b>\$ 117,720</b>	<b>\$ 181,368</b>	<b>\$ 109,158</b>	<b>\$ 431,256</b>	<b>\$424,611</b>	<b>\$301,009</b>	<b>\$ 1,565,122</b>

See accompanying notes to financial statements.

**COMPASS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Youth:		Early Intervention		Ryan White Title I	Total	General & Admin.	Outreach Activities	Total	Total Expenses
	H.O.P.E./P.R.E.P.	HIV Prevent: SNS/HIP/Mpwr	DOH CM	DOH CM						
Salaries	\$ 55,243	\$ 82,645	\$ 162,450	\$ 252,627	\$ 552,965	\$ -	\$ 197,584	\$ 197,584	\$ 750,549	
Employee health benefits	6,632	11,491	21,782	33,909	73,814	-	20,968	20,968	94,782	
Payroll taxes	5,723	8,570	15,698	26,957	56,948	-	21,400	21,400	78,349	
<b>Total salaries and related expenses</b>	<b>67,599</b>	<b>102,706</b>	<b>199,929</b>	<b>313,493</b>	<b>683,727</b>	<b>-</b>	<b>239,952</b>	<b>239,952</b>	<b>923,679</b>	
Advertising	11	16	11	173	210	-	21	21	231	
Bad debt	-	-	-	-	-	-	140	140	140	
Contract labor	-	-	-	58,103	58,103	-	-	-	58,103	
Depreciation and amortization	-	-	-	-	-	153,036	-	-	153,036	
Education and training	104	46	29	126	305	80	248	328	633	
Equipment lease	4,562	7,646	4,562	19,723	36,493	(41,336)	8,603	(32,732)	3,761	
Insurance	-	-	-	-	-	18,813	-	-	18,813	
Interest	-	-	-	-	-	9,684	13	9,697	9,697	
Program Event Expense	21,104	20,327	19,725	20,127	81,283	-	20,424	20,424	101,707	
Postage	245	1,112	176	797	2,330	123	696	819	3,149	
Printing	605	1,032	605	2,599	4,842	-	894	894	5,736	
Professional Fees	14,119	2,869	1,636	6,944	25,567	16,501	3,271	19,772	45,339	
Rent	1,944	3,160	1,944	8,507	15,556	151,824	7,489	159,313	174,869	
Repairs and maintenance	567	920	567	2,492	4,545	725	1,121	1,845	6,390	
Supplies	1,266	760	439	3,469	5,934	1,240	1,666	2,906	8,840	
Taxes and licenses	220	351	220	1,100	1,892	381	441	822	2,714	
Telephone	1,336	2,212	1,336	5,801	10,684	150	2,689	2,839	13,523	
Travel and transportation	5,803	6,311	4,725	6,101	22,940	-	6,092	6,092	29,032	
Utilities	3,505	6,048	3,505	15,019	28,078	-	7,010	7,010	35,088	
<b>Total expenses, June 30, 2012</b>	<b>\$ 122,990</b>	<b>\$ 155,517</b>	<b>\$ 239,408</b>	<b>\$ 464,574</b>	<b>\$ 982,489</b>	<b>\$ 311,221</b>	<b>\$ 300,771</b>	<b>\$ 611,992</b>	<b>\$ 1,594,481</b>	

See accompanying notes to financial statements.

**COMPASS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
Cash Flows From Operating Activities		
Decrease in net assets	\$ (170,398)	\$ (206,957)
Adjustments to reconcile decrease in net assets to net cash provided by/(used in) operating activities:		
Depreciation and amortization	152,195	153,036
(Increase) decrease in operating assets:		
Grants receivable	57,785	(45,909)
Promises to give	15,738	(16,043)
Prepaid expenses and other assets	-	18,928
Increase (decrease) in operating liabilities:		
Accounts payable	(7,904)	(6,039)
Accrued expenses	(4,462)	1,492
Deferred Revenue	7,500	17,500
<b>Net cash provided by/(used in) operating activities</b>	<b>50,454</b>	<b>(83,992)</b>
Cash Flows From Investing Activities		
Purchase of furniture and equipment	(34,240)	-
<b>Net cash (used in) investing activities</b>	<b>(34,240)</b>	<b>-</b>
Cash Flows From Financing Activities		
Proceeds from line of credit	150,000	-
Principal payments on capital leases	(30,180)	(28,695)
<b>Net cash provided by/(used in) financing activities</b>	<b>119,820</b>	<b>(28,695)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>136,035</b>	<b>(112,686)</b>
Cash and Cash Equivalents		
Beginning of year	51,636	164,322
End of year	\$ 187,671	\$ 51,636
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 9,010	\$ 9,684

See accompanying notes to financial statements.

**COMPASS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

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**NOTE 1**      **NATURE OF ORGANIZATION'S ACTIVITY AND DESCRIPTION OF PROGRAM SERVICES**

Compass, Inc. (the "Organization") is a Florida nonprofit entity, which was incorporated in 1988. The Organization is a community-based entity dedicated to serving the gay, lesbian, bisexual and transgender community in Palm Beach County while promoting pride and diversity and public awareness. The Organization provides a community center, health related services, information and referral services and public education. The Organization's community center and offices are located in Lake Worth, Florida.

**Youth and Family Services**

The HOPE Youth Services Program is a mentoring program funded by CSC. This program emboldens youth ages 6-18 and their families, who are confronting issues concerning sexual orientation and/or gender identity. Each child or youth is matched with an adult mentor age 22 and up. Four hours per month is required for mentor and mentee to meet and offer support, guidance, and education to the mentees. In addition, educational workshops are offered to the community at large, including schools and other social service agencies, covering varied topics of sexuality, gender, school bullying/harassment, and HIV/AIDS education. This program ended in December 2012.

The T.O.P (Teen Outreach Program) as added by Compass in October 2012 is funded by Planned Parenthood of South Florida and the Treasure Coast. The program engages youth ages 12-18 y/o to meet several times weekly for social support, leadership opportunities, community service, guided discussions. This new youth program is more curriculum-based while implementing the teen outreach program: an evidence-based program, which empowers youth to lead successful lives and build strong communities. Compass now hosts Gay Straight Alliance (GSA) Meetings for representatives from high schools and universities throughout Palm Beach County to provide an opportunity for young leaders to connect, network, and combine their advocacy efforts to achieve maximum success.

**HIV Prevention – Social Networking Strategies and Counseling, Testing and Linkage**

As an advocate and health services provider, starting in 2009, Social Networking Strategies, a CDC-approved intervention, and starting in 2013, the High Impact Prevention Program (H.I.P.P.) and MPowerment Program were added through funding by Florida DOH. These programs were added to utilize community networks to help find and encourage HIV testing for individuals at high risk for HIV and to link them to care as soon as possible in the effort to increase healthy outcomes.

**Early Intervention and Ryan White Title I**

As an advocate and health services provider, these services include medical and non-medical case management interventions that provide services and support to people living with HIV and AIDS throughout Palm Beach County. Services include linkage to life saving medications, assistance for housing, insurance coverage, food, transportation and direct emergency assistance, as well as education on treatment adherence and access to various social and support groups offered at the Organization. This also includes free access to the Cyber Center as well as volunteer opportunities.

**COMPASS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

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**Outreach Program**

This program, through center memberships, Pride Business Alliance memberships and various sponsorships opportunities ensures that un-funded, or under-funded programs, remain a vital part of our mission, including various social and support groups held at the Center 6 days a week. This department is in charge of promoting pride, advocacy and community organizing which includes community outreach events such as the annual Pridefest of the Palm Beaches and Stonewall Ball. Over 250 not-for-profit organizations, neighborhood associations and public city meetings are organized and held at the Organization's facility each year. This department also includes the free Cyber Center, volunteer opportunities for community members, as well as assistance with continuing the unfunded portion of the Counseling, Testing and Linkage program.

**NOTE 2**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

Compass, Inc. prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) ASC 958, *Not for Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The three net asset categories as reflected in the accompanying financial statements are as follows:

- **Unrestricted** - Net assets which are free of donor-imposed restrictions. It includes the Organization's investment in property and equipment and amounts designated by management for support of operations, programs, and facilities expansion. The Organization has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Organization and, therefore, the Organization's policy is to record these net assets as unrestricted. This category includes all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.
- **Temporarily Restricted** - Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire with the passage of time or that can be fulfilled or removed by actions of the Organization pursuant to those stipulations. These net assets are available for program purposes as well as for buildings and equipment.
- **Permanently Restricted** - Net assets whose use by the Organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. These net assets are invested in perpetuity, the income from which is expended for program purposes.

**COMPASS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

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**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and cash in banks. For purposes of the statement of cash flows, the Company considers all unrestricted highly liquid investments with maturities of three months or less to be cash equivalents. As of June 30, 2013 and 2012, the Organization had no cash balances in excess of FDIC insurance at its financial institutions.

**Advertising**

Compass, Inc. uses advertising to promote its programs to the community it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$365 and \$231 for the years ended June 30, 2013 and 2012, respectively.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual results could differ from those estimates.

**Concentration of Support**

Approximately 59% and 67% in the years ended June 30, 2013 and 2012, respectively, of the Organization's funding originates from federal, state or local agencies. If funding policies and/or amounts of funding were to be substantially reduced by these agencies, operations of the Organization could be significantly affected. Grants Receivable is made up 100% of grants from federal, state or local agencies.

**Property and Equipment**

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on a straight-line method over a 3 to 20 year period. Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease and is included in depreciation expense. The Organization capitalizes purchases greater than or equal to \$1,000, all other purchases are expensed as incurred.

**Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services.

**Grants Receivable**

The grants receivable relate to flat rate payments with performance-based requirements and/or grant cost reimbursements. All of the recorded grants receivable are deemed collectible by management.

**COMPASS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

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**Income Taxes**

Compass, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, if income from certain activities not directly related to the Organization's tax-exempt purpose were received, it would be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Organizations' tax returns for the years 2009-2013 remain open to Internal Revenue Services Audit.

**Promises to Give and Deferred Revenue**

Unconditional promises to give in the future are recorded as promises to give revenue and contributions receivable. If management expects the cash from the contribution receivable to be received more than one year in the future, the promises to give revenue and receivable are discounted for the time value of money (i.e., net present value) at a discount rate of 4%. Management estimates the allowance for uncollectible promises based on historical write offs.

Management writes off promises to give as identified. Revenue under grant agreements is deferred and recognized over the term of the agreements (typically one year) on a straight-line basis.

**Restricted and Unrestricted Revenue and Support**

Contributions that are restricted by the donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of this restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Federal, state, and local grant awards that are considered conditional promises to give are classified as refundable advances until expended for the purposes of the grants.

**Fair value of financial instruments**

The carrying amounts of cash, receivables, accounts payable and accrued expenses approximate fair value because of the short maturity of these financial instruments. The carrying amounts of the capital leases approximate their fair value because the interest rates reflect current market rates for liabilities with similar maturities and credit quality.

**Reclassifications**

Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported change in net assets.

**Recent Accounting Pronouncements**

Recent accounting pronouncements issued by FASB (including the Emerging Issues Task Force) and the AICPA did not, or are not, believed by the Organization's management, to have a material impact on the Organization's present or future financial statements.

**COMPASS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

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**NOTE 3**      **PROPERTY AND EQUIPMENT**

Property and equipment was comprised of the following at June 30, 2013 and 2012, respectively:

	2013	2012
Land	\$ 4,190	\$ 4,190
Building and building improvements	838,407	838,407
Office equipment	282,803	248,563
Furniture and fixtures	348,260	348,260
	<u>1,473,660</u>	<u>1,439,420</u>
Less: accumulated depreciation	713,232	561,037
	<u>\$ 760,428</u>	<u>\$ 878,383</u>

The Organization's additions for the years ended June 30, 2013 and 2012 were \$34,240 and \$0, respectively. Depreciation expense for the years ended June 30, 2013 and 2012 was \$152,195 and \$153,036, respectively.

**NOTE 4**      **PROMISES TO GIVE AND TEMPORARILY RESTRICTED NET ASSETS**

The balances of unconditional promises to give are as follows as of June 30, 2013 and 2012, respectively:

	2013	2012
Less than one year	\$ 12,970	\$ 22,145
One to three years	-	-
More than three years	-	-
Total promises to give	<u>12,970</u>	<u>22,145</u>
Less discount for present value	-	-
Less allowance for doubtful promises to give	-	-
Net promises to give	<u>\$ 12,970</u>	<u>\$ 22,145</u>

At June 30, 2013 and 2012, promises to give includes \$12,970 and \$22,145, respectively, from ticket sales, silent auction items and sponsorships in association with the Organization's Stonewall Ball outreach event held each June. These promises to give were collected within 60 days subsequent to June 30, 2013 and 2012, respectively.

During the year ended June 30, 2012, \$13,614 was granted to the Organization for expenditures to be incurred in the year ended June 30, 2013 relating to the Holocaust Exhibit and the Compass Peer Navigator Program. These grants were properly recorded as restricted at June 30, 2012 and properly released from restrictions during the year ended June 30, 2013.



**COMPASS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

During the year ended June 30, 2013, \$56,302 was awarded to the Organization primarily in support of the Compass Peer Navigator Program for the dates January 2013 through December 2013. \$25,000 of this award was recorded as deferred revenue at June 30, 2013 and \$42,500 was recognized as revenue, including prior year deferred revenue. At June 30, 2013, \$22,148 of the recognized revenue remained restricted.

**NOTE 5**      **GRANTS RECEIVABLE**

Grants receivable consist of the following at June 30, 2013 and 2012, respectively:

	2013	2012
<u>Palm Beach County Health Unit</u>		
COD10 2012	\$ -	\$ 12,250
CODHW 2013	15,000	-
CODEIH 2013	16,666	
PB263	-	51,500
<u>Children's Services Council of Palm Beach County, Inc.</u>		
Contract # 12-052	-	7,674
<u>Palm Beach County Community Services Department</u>		
Ryan White Title I – HIV Health Support Services		
R2012 - 0962	-	67,716
R2013 - 0521	38,649	-
<u>Planned Parenthood</u>		
PREP	4,477	-
Total	\$ 74,792	\$ 139,140

**NOTE 6**      **LINE OF CREDIT**

*Line of Credit*

In April 2011, the Organization obtained a renewed revolving line of credit with a bank for maximum borrowings of \$150,000. Borrowings under the line of credit bear interest equal to 5% and are due on January 6, 2014. All borrowings are collateralized by substantially all the business assets of the Organization. The outstanding balance on the line of credit was \$150,000 and \$0 as of June 30, 2013 and 2012, respectively.

**COMPASS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 7**      **CONTRIBUTED SERVICES**

The Organization recognized contribution revenue for the years ended June 30, 2013 and 2012, respectively, for contributed services related to the HIV Prevention program. Contribution revenue from services was measured based on the fair value of these services, and the amounts are as follows:

	2013	2012
Group facilitators – 1,020 and 780 hours at \$35, respectively	\$ 35,700	\$ 27,300
Group facilitators – 430 and 1,480 hours at \$10, respectively	4,300	14,800
HIV Testing & CM Tech– 1,908 and 502 hours at \$14 per hour, respectively	26,712	7,028
<b>Total</b>	<b>\$ 66,712</b>	<b>\$ 49,128</b>

During 2013 and 2012, due to the increased size and increased usage of the Organization’s Lake Worth facility, volunteers provided 5,937 and 6,048 hours of administrative and facility maintenance assistance valued at approximately \$71,244 and \$72,576 respectively. The values of the administrative services were not recognized as revenue or expense in the accompanying Statement of Activities for the year ended June 30, 2013 or 2012.

During 2013 and 2012, the Organization recognized contribution revenue for specialized graphic design, accounting and legal services provided by volunteers valued at \$10,000 and \$7,500, respectively.

**NOTE 8**      **LEASE COMMITMENTS**

Capital leases payable consists of the following at June 30, 2013 and 2012, respectively:

	2013	2012
Capital lease payable in monthly installments of \$1,361 including interest at 10.73% through maturity on June 5, 2014. The capital lease is collateralized by certain furniture and fixtures.	\$ 14,202	\$ 28,189
Capital lease payable in monthly installments of \$500 including interest at 17.05% through maturity on December 3, 2013. The capital lease is collateralized by office equipment.	3,319	7,894
Capital lease payable in monthly installments of \$799 including interest at 13.50% through maturity on November 6, 2013. The capital lease is collateralized by office equipment.	3,864	11,642
Capital lease payable in monthly installments of \$464 including interest at 20.04% through maturity on November 5, 2013. The capital lease is collateralized by office equipment.	2,925	6,765
Less current portion	(24,310)	(31,412)
<b>Total</b>	<b>\$ -</b>	<b>\$ 23,078</b>

**COMPASS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

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Operating Leases

In May 2007, the Organization executed an operating lease agreement for a municipal facility in Lake Worth, Florida. The term of the lease began in March 2008, upon possession of the facility by the Organization and will continue through 2028. The initial rent amount was \$1,000 annually. Effective April 2010, the lease was amended to increase the annual rent amount to \$19,445. In March 2009, the Organization took occupancy of the building and completed its renovations. In-kind revenues and rent expense were recognized for the fair value of the rent under the lease of \$191,734 and \$151,824 for the years ended June 30, 2013 and 2012 respectively.

Rent expense for the years ended June 30, 2013 and 2012 totaled \$218,139 and \$174,869, respectively.

The future minimum lease payments required under the operating leases are as follows as of June 30, 2013 and thereafter:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	19,445
2015	19,445
2016	19,445
2017	19,445
Thereafter	202,550
Total minimum lease payments	<u>\$ 280,330</u>

**COMPASS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 9**      **ASSISTANCE FROM GOVERNMENTAL AGENCIES**

The following details the reimbursements and receipts from governmental agencies for the years ending June 30, 2013 and 2012, respectively:

	2013	2012
<u>Federal Financial Assistance</u>		
Department of Health and Human Services, Public Health Services – II through Palm Beach County HIV Emergency Relief Project Grant		
R2013 - 0521	\$ 162,512	\$ -
R2012 - 0813	99,275	-
R2012 - 0483/0806/0962	279,074	120,222
R2011 - 0483/0806/0962	-	375,751
Through Florida Department of Health, Palm Beach County Public Health Unit, HIV Prevention Activities – Health Department Based		
CODIH	16,667	-
CODHW	81,319	-
COD10	-	73,500
CODEH	73,500	73,500
<b>Total</b>	<b>\$ 712,347</b>	<b>\$ 642,973</b>
<u>State Financial Assistance</u>		
Florida Department of Health, through Palm Beach County Public Health Unit, HIV Related Services		
PB263	\$ 56,640	\$ 225,560
<b>Total</b>	<b>\$ 56,640</b>	<b>\$ 225,560</b>
<u>Local Financial Assistance</u>		
Children’s Services Council of Palm Beach County, Inc.		
Contract 12-052	\$ 38,619	\$ 72,432
Contract 11-052	-	22,356
Health Council of SE Palm Beach County		
2013	14,468	-
2012	-	3,000
Planned Parenthood		
2013	36,529	-
<b>Total</b>	<b>\$ 89,616</b>	<b>\$ 97,788</b>
<b>Grand Total</b>	<b>\$ 858,603</b>	<b>\$ 966,321</b>

**COMPASS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

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**NOTE 10**    **SUBSEQUENT EVENTS**

The Organization evaluated subsequent events through the November 20, 2013, the date of issuance of these financial statements. No material subsequent events have occurred.

**SCHEDULE 1 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Compass, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

<b>Federal Grantor/Pass-Through</b>	<b>Federal</b>	<b>Pass-Through</b>	<b>Federal</b>
<b>Grantor/Program or Cluster Title</b>	<b>CFDA</b>	<b>Entity</b>	<b>Expenditures</b>
	<b>Number</b>	<b>Identifying</b>	
		<b>Number</b>	
U.S. Department of Health and Human Services:			
Pass-through programs from:			
Palm Beach County, Florida, Community Services			
Department:			
HIV Emergency Relief Project Grants	93.914	R2013 - 0521	\$ 162,512
HIV Emergency Relief Project Grants	93.914	R2012 - 0813	99,275
HIV Emergency Relief Project Grants	93.914	R2012 - 0962	
		R2012 - 0806	
		R2012 - 0483	279,074
			<hr/>
			\$ 540,861
State of Florida, Department of Health:			
HIV Prevention Activities - Health			
Department Based (HIV Prevention Program)			
	93.940	CODEH	\$ 73,500
	93.940	CODHW	81,319
	93.940	CODIH	16,667
			<hr/>
			\$ 171,486
<b>Total U.S. Department of Health and Human Services</b>			<hr/>
			\$ 712,347
<b>Total expenditures of federal awards</b>			<hr/> <hr/>
			\$ 712,347

**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 Trustees of  
Compass, Inc.

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 Compass, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, 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 20, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Compass, Inc.'s 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 Compass, Inc.'s 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 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 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 Compass, Inc.'s 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*.

**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.

*Liggett, Vocht & Webb, P.A.*

LIGGETT, VOGT & WEBB, P.A.  
*Certified Public Accountants*

Boynton Beach, Florida  
November 20, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Trustees of  
Compass, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Compass, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Compass, Inc.'s major federal programs for the year ended June 30, 2013. Compass, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Compass Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Compass, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Compass, Inc.'s compliance.

***Opinion on Each Major Federal Program***

In our opinion, Compass, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

Management of Compass, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Compass, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Compass, Inc.'s internal control over compliance.



*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Liggett, Vegt & Webb, P.A.*

LIGGETT, VOGT & WEBB, P.A.  
*Certified Public Accountants*

Boynton Beach, Florida  
November 20, 2013

**COMPASS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Compass, Inc.
2. No instances of noncompliance material to the financial statements of Compass, Inc. which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
3. No reportable conditions or material weaknesses in internal control over major programs were disclosed during the audit.
4. The auditor's report on compliance for the major federal award programs for Compass, Inc. expresses an unqualified opinion on all major programs.
5. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
6. The program tested as the major program was the HIV Emergency Relief Grant Program Part A Formula Grants – CFDA # 93.914
7. The threshold for distinguishing Type A and B Programs was \$300,000.
8. Compass, Inc. qualifies as a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

No reportable conditions were disclosed.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT**

No audit findings that are required to be reported in accordance with Section 501(a) of OMB Circular A-133 or questioned costs were disclosed.