



Financial Statements

June 30, 2017 and 2016



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Daily Planet, Incorporated

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
Daily Planet, Incorporated
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Daily Planet, Incorporated (the "Organization"), which comprise the statements of financial position as of June 30, 2017 and 2016, 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; 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 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 audits 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 Daily Planet, Incorporated as of June 30, 2017 and 2016, 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.

Supplemental Information

Our audits were 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, 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 audits 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. 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 September 15, 2017, on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.



September 15, 2017
Glen Allen, Virginia

Daily Planet, Incorporated

Statements of Financial Position June 30, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Assets:		
Cash and cash equivalents	\$ 1,068,629	\$ 952,901
Certificates of deposit	790,748	778,576
Patient accounts receivable, net	104,566	111,736
Grants and contributions receivable	-	359,882
Medicaid receivable	166,517	124,301
Other receivables	266,401	112,911
United Way Services funding commitment for the next fiscal year	25,000	25,000
Prepaid expenses	75,901	39,440
Property and equipment, net	<u>3,799,857</u>	<u>3,668,281</u>
Total assets	<u>\$ 6,297,619</u>	<u>\$ 6,173,028</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 113,709	\$ 15,692
Accrued annual leave	81,918	75,849
Payroll withholdings	-	1,242
Notes payable, net	<u>275,261</u>	<u>597,358</u>
Total liabilities	<u>470,888</u>	<u>690,141</u>
Net assets:		
Unrestricted	5,776,731	5,379,887
Temporarily restricted	<u>50,000</u>	<u>103,000</u>
Total net assets	<u>5,826,731</u>	<u>5,482,887</u>
Total liabilities and net assets	<u>\$ 6,297,619</u>	<u>\$ 6,173,028</u>

See accompanying notes to financial statements.

Daily Planet, Incorporated

Statement of Activities Year Ended June 30, 2017 with Comparative 2016 Totals

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
Support and revenue:				
Patient service revenue (net of contractual allowances and discounts)	\$ 1,560,012	\$ -	\$ 1,560,012	\$ 1,254,770
Provision for bad debts	<u>(92,782)</u>	<u>-</u>	<u>(92,782)</u>	<u>(10,370)</u>
Net patient service revenue	1,467,230	-	1,467,230	1,244,400
Federal government grants	3,437,968	-	3,437,968	3,436,718
Program and contract income	888,578	-	888,578	1,154,634
Contributions	119,920	-	119,920	181,336
United Way allocations	45,638	25,000	70,638	104,415
In-kind contributions	93,438	-	93,438	42,536
Other grants	603,669	25,000	628,669	221,887
Other revenue	<u>12,622</u>	<u>-</u>	<u>12,622</u>	<u>5,732</u>
Total support and revenue	<u>6,669,063</u>	<u>50,000</u>	<u>6,719,063</u>	<u>6,391,658</u>
Net assets released from restriction	<u>103,000</u>	<u>(103,000)</u>	<u>-</u>	<u>-</u>
Expenses:				
Program services	5,345,328	-	5,345,328	4,861,566
Support services	<u>1,017,700</u>	<u>-</u>	<u>1,017,700</u>	<u>920,934</u>
Total expenses	6,363,028	-	6,363,028	5,782,500
Loss on disposal of property and equipment	<u>(12,191)</u>	<u>-</u>	<u>(12,191)</u>	<u>-</u>
Change in net assets	396,844	(53,000)	343,844	609,158
Net assets, beginning of year	<u>5,379,887</u>	<u>103,000</u>	<u>5,482,887</u>	<u>4,873,729</u>
Net assets, end of year	<u>\$ 5,776,731</u>	<u>\$ 50,000</u>	<u>\$ 5,826,731</u>	<u>\$ 5,482,887</u>

See accompanying notes to financial statements.

Daily Planet, Incorporated

Statement of Activities Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Patient service revenue (net of contractual allowances and discounts)	\$ 1,254,770	\$ -	\$ 1,254,770
Provision for bad debts	<u>(10,370)</u>	<u>-</u>	<u>(10,370)</u>
Net patient service revenue	1,244,400	-	1,244,400
Federal government grants	3,436,718	-	3,436,718
Program and contract income	1,154,634	-	1,154,634
Contributions	181,336	-	181,336
United Way allocations	79,415	25,000	104,415
In-kind contributions	42,536	-	42,536
Other grants	221,887	-	221,887
Other revenue	<u>5,732</u>	<u>-</u>	<u>5,732</u>
 Total support and revenue	 <u>6,366,658</u>	 <u>25,000</u>	 <u>6,391,658</u>
 Net assets released from restriction	 <u>215,366</u>	 <u>(215,366)</u>	 <u>-</u>
Expenses:			
Program services	4,861,566	-	4,861,566
Support services	<u>920,934</u>	<u>-</u>	<u>920,934</u>
 Total expenses	 <u>5,782,500</u>	 <u>-</u>	 <u>5,782,500</u>
 Change in net assets	 799,524	 (190,366)	 609,158
Net assets, beginning of year	<u>4,580,363</u>	<u>293,366</u>	<u>4,873,729</u>
Net assets, end of year	<u>\$ 5,379,887</u>	<u>\$ 103,000</u>	<u>\$ 5,482,887</u>

See accompanying notes to financial statements.

Daily Planet, Incorporated

**Statement of Functional Expenses
Year Ended June 30, 2017 with Comparative 2016 Totals**

	Program Services				Support Services			2017 Total Expenses	2016 Total Expenses
	Public Health	Safe Haven	Respite	Total Program Services	Administrative	Fundraising	Total Support Services		
Salaries	\$ 2,845,980	\$ 249,258	\$ 212,017	\$ 3,307,255	\$ 424,826	\$ 204,657	\$ 629,483	\$ 3,936,738	\$ 3,484,122
Employee health and retirement benefits	331,053	24,323	14,123	369,499	100,959	23,793	124,752	494,251	512,316
Payroll taxes and workers compensation insurance	<u>207,847</u>	<u>18,285</u>	<u>16,722</u>	<u>242,854</u>	<u>24,310</u>	<u>13,691</u>	<u>38,001</u>	<u>280,855</u>	<u>246,578</u>
 Total staff compensation	 3,384,880	 291,866	 242,862	 3,919,608	 550,095	 242,141	 792,236	 4,711,844	 4,243,016
Education and training	9,578	78	513	10,169	795	1,859	2,654	12,823	21,880
General and program supplies	109,664	19,000	6,380	135,044	7,665	4,306	11,971	147,015	123,875
In-kind expenses	39,666	-	-	39,666	53,772	-	53,772	93,438	42,536
Insurance	41,143	8,040	4,879	54,062	5,651	2,873	8,524	62,586	78,540
Interest	-	7,809	-	7,809	8,139	-	8,139	15,948	15,645
Janitorial services	4,304	-	2,225	6,529	-	95	95	6,624	7,924
Miscellaneous	8,645	312	402	9,359	707	293	1,000	10,359	7,443
Postage	3,581	299	399	4,279	489	249	738	5,017	3,808
Professional fees and contract services	659,235	16,535	16,884	692,654	30,175	13,834	44,009	736,663	703,071
Promotional and advertising	944	76	104	1,124	284	1,492	1,776	2,900	1,443
Rental expense	9,776	9	5,397	15,182	7	370	377	15,559	17,251
Repairs and maintenance	31,185	27,450	13,358	71,993	1,767	1,108	2,875	74,868	56,809
Specific assistance to individuals	111,523	7,045	24,585	143,153	304	-	304	143,457	139,375
Telephone expense	28,285	5,460	10,398	44,143	979	1,304	2,283	46,426	40,731
Travel and transportation	15,066	1,290	2,609	18,965	3,774	3,041	6,815	25,780	24,986
Utilities	<u>36,784</u>	<u>19,234</u>	<u>12,475</u>	<u>68,493</u>	<u>-</u>	<u>1,574</u>	<u>1,574</u>	<u>70,067</u>	<u>73,378</u>
 Total expenses before depreciation	 4,494,259	 404,503	 343,470	 5,242,232	 664,603	 274,539	 939,142	 6,181,374	 5,601,711
Depreciation	<u>73,681</u>	<u>27,532</u>	<u>1,883</u>	<u>103,096</u>	<u>76,487</u>	<u>2,071</u>	<u>78,558</u>	<u>181,654</u>	<u>180,789</u>
 Total expenses	 <u>\$ 4,567,940</u>	 <u>\$ 432,035</u>	 <u>\$ 345,353</u>	 <u>\$ 5,345,328</u>	 <u>\$ 741,090</u>	 <u>\$ 276,610</u>	 <u>\$ 1,017,700</u>	 <u>\$ 6,363,028</u>	 <u>\$ 5,782,500</u>

See accompanying notes to financial statements.

Daily Planet, Incorporated

**Statement of Functional Expenses
Year Ended June 30, 2016**

	Program Services				Support Services			Total Expenses
	Public Health	Safe Haven	Respite	Total Program Services	Administrative	Fundraising	Total Support Services	
Salaries	\$ 2,546,746	\$ 245,497	\$ 191,472	\$ 2,983,715	\$ 314,837	\$ 185,570	\$ 500,407	\$ 3,484,122
Employee health and retirement benefits	285,585	32,190	12,659	330,434	155,793	26,089	181,882	512,316
Payroll taxes and workers compensation insurance	181,307	17,847	15,367	214,521	18,696	13,361	32,057	246,578
Total staff compensation	3,013,638	295,534	219,498	3,528,670	489,326	225,020	714,346	4,243,016
Education and training	18,188	860	1,297	20,345	759	776	1,535	21,880
General and program supplies	93,637	7,991	5,825	107,453	13,723	2,699	16,422	123,875
In-kind expenses	-	-	-	-	42,536	-	42,536	42,536
Insurance	52,956	8,289	6,107	67,352	7,459	3,729	11,188	78,540
Interest	-	8,564	-	8,564	7,081	-	7,081	15,645
Janitorial services	6,515	-	1,319	7,834	-	90	90	7,924
Miscellaneous	2,603	128	302	3,033	762	3,648	4,410	7,443
Postage	2,566	217	289	3,072	379	357	736	3,808
Professional fees and contract services	650,142	9,843	12,894	672,879	19,984	10,208	30,192	703,071
Promotional and advertising	83	2	3	88	30	1,325	1,355	1,443
Rental expense	11,784	36	4,907	16,727	30	494	524	17,251
Repairs and maintenance	30,703	18,424	8,504	57,631	(2,031)	1,209	(822)	56,809
Specific assistance to individuals	102,246	13,300	23,829	139,375	-	-	-	139,375
Telephone expense	23,610	6,171	8,438	38,219	1,432	1,080	2,512	40,731
Travel and transportation	14,783	1,676	1,699	18,158	2,360	4,468	6,828	24,986
Utilities	40,702	18,572	12,308	71,582	-	1,796	1,796	73,378
Total expenses before depreciation	4,064,156	389,607	307,219	4,760,982	583,830	256,899	840,729	5,601,711
Depreciation	71,814	26,887	1,883	100,584	78,717	1,488	80,205	180,789
Total expenses	\$ 4,135,970	\$ 416,494	\$ 309,102	\$ 4,861,566	\$ 662,547	\$ 258,387	\$ 920,934	\$ 5,782,500

See accompanying notes to financial statements.

Daily Planet, Incorporated

Statements of Cash Flows Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 343,844	\$ 609,158
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	181,653	180,789
Amortization of deferred financing costs	3,864	429
Loss on disposal of property and equipment	12,191	-
Changes in operating assets and liabilities:		
Patient accounts receivable, net	7,170	(40,901)
Grants and contributions receivable	359,882	(141,516)
Medicaid receivable	(42,216)	(124,301)
Other receivables	(153,490)	(27,130)
Prepaid expenses	(36,461)	5,204
Accounts payable and accrued expenses	102,844	(10,550)
Net cash provided by operating activities	779,281	451,182
Cash flows from investing activities:		
Purchase of property and equipment	(325,420)	(281,250)
Purchase of certificates of deposit	(12,172)	(5,183)
Net cash used in investing activities	(337,592)	(286,433)
Cash flows from financing activities:		
Proceeds from note payable	-	320,707
Payments on notes payable	(325,961)	(151,831)
Net cash (used in) provided by financing activities	(325,961)	168,876
Change in cash and cash equivalents	115,728	333,625
Cash and cash equivalents, beginning of year	952,901	619,276
Cash and cash equivalents, end of year	\$ 1,068,629	\$ 952,901
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 12,084	\$ 15,216
Payment of debt issuance costs via note payable	\$ -	\$ 4,293

See accompanying notes to financial statements.

Daily Planet, Incorporated

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Description of Business: The Daily Planet, Incorporated (the "Organization") is a nonprofit corporation exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. It was organized as a rehabilitative service agency to provide services and treatment which will strengthen and enrich the lives of people, primarily those that are homeless, with mental health-related disabilities to function meaningfully in society. The Organization is supported primarily through contributions and governmental grants.

Basis of Presentation: Under accounting guidance for not-for-profit entities, 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 net asset classes are summarized as follows:

Unrestricted net assets include unrestricted and board designated funds. The unrestricted and board designated funds include revenue and expenses used currently for the general operations and programs of the Organization.

Temporarily restricted net assets include contributions and grants restricted by donor designation and interest earned on restricted net assets is reported as increases in temporarily restricted net assets. When a restriction expires, either with the passage of time or by actions of the Organization, temporarily restricted net assets are released and reclassified to unrestricted net assets. If the contribution and activity occur in the same year, the revenue is recorded in unrestricted net assets. Temporarily restricted net assets at June 30, 2017 consist of a grant of \$25,000 and a United Way Services' funding commitment of \$25,000 received for the 2018 fiscal year. Temporarily restricted net assets at June 30, 2016 consisted of grants of \$78,000 and a United Way Services' funding commitment of \$25,000 received for the 2017 fiscal year.

Permanently restricted net assets include contributions restricted by donor imposed stipulations that they be maintained permanently by the Organization. There were no permanently restricted net assets at June 30, 2017 and 2016.

Cash and Cash Equivalents: For the purpose of reporting the statements of cash flows, the Organization includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying statements of financial position. The Organization had cash balances in a financial institution that exceeded federal depository insurance limits.

Daily Planet, Incorporated

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Property and Equipment: Acquisitions of property and equipment are recorded at cost. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are 5 to 10 years for furniture and equipment, 3 to 10 years for software, 10 years for vehicles and 5 to 40 years for buildings and improvements. The costs of major improvements are capitalized, while the costs of maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed currently.

Income Taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. The Organization is subject to tax on any unrelated business income that it may generate. The Organization did not have any activities resulting in unrelated business income during 2017 and 2016.

Income Tax Uncertainties: The Organization follows Financial Accounting Standards Board ("FASB") guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Organization is not currently under audit by any tax jurisdiction.

Gifts and Grants: The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the donor restrictions expire or are met in the fiscal year in which the contributions are recognized.

Daily Planet, Incorporated

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Net Patient Service Revenue: The Organization reports net patient service revenue at the estimated net realizable amounts from patients, third-party payors and others for services rendered. Patient service revenue, net of contractual allowances and discounts, is reduced by the provision for bad debts, and net patient accounts receivable are reduced by an allowance for contractual adjustments and uncollectible accounts. These amounts are based primarily on management's assessment of historical and expected write-offs and net collections, along with the aging status for each major payor source. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. The estimated allowance was \$96,059 at June 30, 2017, and \$103,142 at June 30, 2016. After reasonable collections efforts have been exhausted in accordance with the Organization's policies, patient accounts receivable are written off.

The Organization provides care to patients regardless of their ability to pay. The Organization established a sliding fee schedule for discounted services, up to 100%, based on the patient income and Federal Poverty Level guidelines. The associated discounts based on the sliding fee are not reported as net patient service revenues.

Grants and Contributions Receivable: Under FASB guidance for accounting for contributions received, contributions are recognized when the donor makes a promise to give the Organization that is, in substance, unconditional. If the unconditional promise to give is to occur over several fiscal periods, the assets will be measured at their present value. At June 30, 2017, there were no unconditional promises to give. At June 30, 2016, there was one unconditional promise to give in the amount of \$78,000.

At June 30, 2016, the Organization recorded a receivable from a federal grant amounting to \$281,882.

In addition, the Organization has recorded receivables from United Way in the amount of \$25,000 for 2017 and \$25,000 in 2016.

In-kind Contributions: Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and of a type that would typically be purchased if not provided by donation, are recorded at their fair values in the period received. A number of unpaid volunteers who serve in various capacities have made significant contributions of their time in the furtherance of the Organization's programs. The value of this contributed time is not reflected in these statements because the criteria for the recognition under Accounting Standards Codification ("ASC") 958 have not been satisfied. Contributions of donated noncash assets are recorded at their fair market values in the period received. The amount recorded as in-kind contributions for clothing, toiletries, and other disposable items equaled \$93,438 for 2017 and \$42,536 for 2016.

Daily Planet, Incorporated

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Debt Issuance Costs: Loan fees and other costs related to debt financing arrangements are deferred and amortized to interest expense by a method that approximates the effective interest method over the life of the corresponding debt agreement. Unamortized debt issuance costs of \$3,864 as of June 30, 2016, has been presented as a deduction of long-term debt in the statements of financial position. Amortization is charged to interest expense and was \$3,864 for 2017 and \$429 for 2016.

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 also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification: Certain prior year balances have been reclassified to conform with the current year presentation.

Subsequent Events: Management has evaluated subsequent events through September 15, 2017, the date the financial statements were available for issuance, and has determined there are no subsequent events to be reported in the accompanying financial statements.

2. Property and Equipment:

Property and equipment consisted of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Land	\$ 218,108	\$ 218,108
Buildings and improvements	5,040,793	5,040,793
Furniture and equipment	186,808	669,181
Software	72,075	137,892
Vehicle	8,808	8,808
Construction in progress	<u>256,538</u>	<u>-</u>
	5,783,130	6,074,782
Less accumulated depreciation	<u>1,983,273</u>	<u>2,406,501</u>
Net property and equipment	<u>\$ 3,799,857</u>	<u>\$ 3,668,281</u>

Depreciation expense amounted to \$181,653 for 2017 and \$180,789 for 2016.

At June 30, 2017, construction in process was composed of building renovations at the Organization's headquarters located at 527 West Grace Street in Richmond, Virginia.

Daily Planet, Incorporated

Notes to Financial Statements, Continued

3. Contingent Liabilities:

Grant funds are subject to audit by the funding agencies to determine compliance with various grant requirements. Should any expenditure be disallowed, they must be refunded to the granting agency. Under the terms of the grant awards, grantors retain the right to require unexpended funds to be returned to the granting agency, unless prior approval is obtained for subsequent expending by the Organization.

4. Notes Payable:

Notes payable consisted of the following as of June 30:

	<u>2017</u>	<u>2016</u>
BB&T, secured by property located at 517 W. Grace Street, payable in monthly installments of \$3,205, including interest at 3.39%, due January 2026. Paid in full during December 2016.	\$ -	\$ 313,533
Virginia Housing Development Authority, secured by property located at 2856-2864 Hull Street, payable in monthly installments of \$1,686, including interest at 3.00%, due December 2034.	<u>275,261</u>	<u>287,689</u>
	275,261	601,222
Unamortized debt issuance costs	<u>-</u>	<u>(3,864)</u>
	<u>\$ 275,261</u>	<u>\$ 597,358</u>

Daily Planet, Incorporated

Notes to Financial Statements, Continued

4. Notes Payable, Continued:

Aggregate principal maturities required on notes payable at June 30, 2017, are as follows:

Year Ended June 30:	Amount
2018	\$ 12,145
2019	12,515
2020	12,895
2021	13,288
2022	13,692
Thereafter	210,726
	\$ 275,261

5. Net Patient Service Revenue:

For the years ended June 30, 2017 and 2016, patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), by primary payor source was as follows:

	2017	2016
Third-Party Payors	\$ 1,285,103	\$ 1,090,414
Self-Pay	274,909	164,356
	\$ 1,560,012	\$ 1,254,770

6. Commitments:

Leases:

The Organization has two lease agreements for the use of copiers under operating leases. Monthly payments range from \$465 to \$648, with the leases expiring between November 2018 and June 2019. Future minimum lease payments are expected to be \$13,353 in 2018 and \$8,169 in 2019.

Rent expense for these copier leases was \$15,559 for 2017 and \$17,251 for 2016.

Daily Planet, Incorporated

Notes to Financial Statements, Continued

6. Commitments, Continued:

Bon Secours Service Agreement:

The Organization has entered into an agreement with Bon Secours Richmond Health Care Foundation ("BSRHCF") for BSRHCF to provide certain services under a grant funded by the United States Health Resources and Services Administration. The Organization incurred expenses of \$161,526 in both 2017 and 2016 to BSRHCF for these services. Under the agreement, the Organization is obligated to pay \$107,684 during fiscal year 2018 to BSRHCF. This agreement expires on February 28, 2018, and includes an automatic annual renewal.

7. Pension Plan:

The Organization offers a defined benefit plan through United Way of Greater Richmond & Petersburg for employees meeting the eligibility requirements of age 21 and completing one year of service with a minimum of 1,000 hours worked. The plan pays retirees a fixed amount that is based on the number of years of service and compensation history. Benefits are fully vested after the employee has reached three years of service. Effective December 31, 2008, the plan sponsor, United Way of Greater Richmond & Petersburg, decided to freeze all future benefit accruals for those who are active participants. The pension plan was also frozen to new participants as of that date. Based on actuarial assumptions, current interest rates, market conditions, requirements of the Pension Protection Act, and other factors, the Organization is likely to be required to make future contributions to the plan. Retirement expense recorded for the defined benefit plan was \$60,694 for 2017 and \$57,631 for 2016.

The Organization also maintains a 403(b) retirement plan that covers substantially all full-time employees. The Organization will match up to 3% of employees' contributions to the 403(b) retirement plan. Retirement expense recorded for the 403(b) plan was \$58,932 for 2017 and \$54,564 for 2016.

The Organization maintains a deferred compensation plan for certain key employees under Section 457(b) of the Internal Revenue Code. The key employees can also voluntarily contribute to the plan in accordance with Internal Revenue Service (IRS) guidelines. Organization contributions to this plan amounted to \$18,208 in 2017 and \$17,542 in 2016.

Daily Planet, Incorporated

Notes to Financial Statements, Continued

8. New Accounting Guidance:

In August 2016, FASB issued ASU No. 2016-14, “Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities,” which both simplifies certain aspects of reporting required by not-for-profit organizations and increases disclosures with a goal to improve the usefulness of not-for-profit financial statements to the various stakeholders, including management, directors, lenders, and donors. Significant changes include the following:

- Replaces the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets—net assets with donor restrictions and net assets without donor restrictions
- Changes the net asset classification of the underwater amounts of donor-restricted endowment funds to be shown as a component of *net assets with donor restrictions* and requires additional disclosures for underwater endowment funds
- Requires all not-for-profits to provide expenses by nature and function
- Requires expansive disclosures (both quantitative and qualitative) of information about liquidity and availability of resources

The amendments in this ASU are effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The Organization has elected not to early adopt this ASU and intends to adopt it prior to the required transition date.

Daily Planet, Incorporated

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Disbursements /Expenditures</u>
U.S. Department of Health and Human Services:		
Health Care for the Homeless	93.224	\$ 2,942,920
Ryan White Care Act Part B	93.917	<u>265,082</u>
Total U.S. Department of Health and Human Services		<u>3,208,002</u>
U.S. Department of Housing and Urban Development:		
Supportive Housing Program - Safe Haven - No. VA36B94-0066	14.235	169,070
Passed Through City of Richmond Passed Through Department of Justice Services Continuum of Care Program	14.267	<u>60,896</u>
Total U.S. Department of Housing and Urban Development		<u>229,966</u>
Total		<u>\$ 3,437,968</u>

Note A – Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Daily Planet, Incorporated and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The amounts shown as current year expenditures represent only the federal portion of the actual program costs. Actual program costs, including the Organization's portion, may be more than shown.

See report of independent accountants.

**REPORT OF INDEPENDENT ACCOUNTANTS 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 of
Daily Planet, Incorporated
Richmond, Virginia:

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Daily Planet, Incorporated (the "Organization"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Organization'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 the Organization'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 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 the Organization'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.

A handwritten signature in black ink, appearing to read "Keita", with a long, sweeping horizontal stroke extending to the right.

September 15, 2017
Glen Allen, Virginia

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Daily Planet, Incorporated
Richmond, Virginia:

Report on Compliance for Each Major Federal Program

We have audited Daily Planet, Incorporated's (the "Organization") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. The Organization's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of federal awards applicable to each major federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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, 2017.

Report on Internal Control Over Compliance

Management of the Organization 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, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Organization'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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



September 15, 2017
Glen Allen, Virginia

Daily Planet, Incorporated

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

Not Applicable

Daily Planet, Incorporated

Schedule of Findings and Questioned Costs Year Ended June 30, 2017

A. SUMMARY OF AUDIT RESULTS

- (1) The auditors' report expresses an unmodified opinion on the financial statements of Daily Planet, Incorporated.
- (2) No material weaknesses or significant deficiencies in internal control were disclosed during the audit of the financial statements
- (3) No instances of noncompliance, material to the financial statements of Daily Planet, Incorporated, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- (4) No material weaknesses or significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
- (5) The auditors' report on compliance for the major federal award programs for Daily Planet, Incorporated expresses an unmodified opinion.
- (6) There were no audit findings relative to the major federal award programs for Daily Planet, Incorporated.
- (7) The programs tested as major programs included:

U.S. Department of Health and Human Services:
Health Care for the Homeless, CFDA No. 93.224
- (8) The threshold used for distinguishing between Type A and B programs was \$750,000.
- (9) Daily Planet, Incorporated was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

Daily Planet, Incorporated

Corrective Action Plan
Year Ended June 30, 2017

Not Applicable