



Financial Statements

June 30, 2016 and 2015



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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, 2016 and 2015, 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, 2016 and 2015, 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 20, 2016, 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 20, 2016
Glen Allen, Virginia

DAILY PLANET, INCORPORATED

Statements of Financial Position June 30, 2016 and 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Assets:		
Cash and cash equivalents	\$ 1,731,477	\$ 1,392,669
Patient accounts receivable, net	111,736	70,835
Grants and contributions receivable	359,882	218,366
Medicaid receivable	124,301	-
Other receivables	112,911	85,781
United Way Services funding commitment for the next fiscal year	25,000	25,000
Prepaid expenses	39,440	44,644
Property and equipment, net	<u>3,668,281</u>	<u>3,567,820</u>
Total assets	<u>\$ 6,173,028</u>	<u>\$ 5,405,115</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 15,692	\$ 52,217
Accrued annual leave	75,849	45,824
Payroll withholdings	1,242	5,292
Notes payable, net	<u>597,358</u>	<u>428,053</u>
Total liabilities	<u>690,141</u>	<u>531,386</u>
Net assets:		
Unrestricted	5,379,887	4,580,363
Temporarily restricted	<u>103,000</u>	<u>293,366</u>
Total net assets	<u>5,482,887</u>	<u>4,873,729</u>
Total liabilities and net assets	<u>\$ 6,173,028</u>	<u>\$ 5,405,115</u>

See accompanying notes to financial statements.

DAILY PLANET, INCORPORATED

Statement of Activities Year Ended June 30, 2016 with Comparative 2015 Totals

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
Support and revenue:				
Patient service revenue (net of contractual allowances and discounts)	\$ 1,254,770	\$ -	\$ 1,254,770	\$ 949,506
Provision for bad debts	<u>(10,370)</u>	<u>-</u>	<u>(10,370)</u>	<u>(46,456)</u>
Net patient service revenue	1,244,400	-	1,244,400	903,050
Federal government grants	3,436,718	-	3,436,718	2,833,016
Program and contract income	1,154,634	-	1,154,634	1,049,318
Contributions	181,336	-	181,336	245,632
United Way allocations	79,415	25,000	104,415	133,671
In-kind contributions	42,536	-	42,536	35,714
Other grants	221,887	-	221,887	273,366
Other revenue	<u>5,732</u>	<u>-</u>	<u>5,732</u>	<u>3,096</u>
Total support and revenue	<u>6,366,658</u>	<u>25,000</u>	<u>6,391,658</u>	<u>5,476,863</u>
Net assets released from restriction	<u>215,366</u>	<u>(215,366)</u>	<u>-</u>	<u>-</u>
Expenses:				
Program services	4,861,566	-	4,861,566	4,607,767
Support services	<u>920,934</u>	<u>-</u>	<u>920,934</u>	<u>922,708</u>
Total expenses	<u>5,782,500</u>	<u>-</u>	<u>5,782,500</u>	<u>5,530,475</u>
Change in net assets	799,524	(190,366)	609,158	(53,612)
Net assets, beginning of year	<u>4,580,363</u>	<u>293,366</u>	<u>4,873,729</u>	<u>4,927,341</u>
Net assets, end of year	<u>\$ 5,379,887</u>	<u>\$ 103,000</u>	<u>\$ 5,482,887</u>	<u>\$ 4,873,729</u>

See accompanying notes to financial statements.

DAILY PLANET, INCORPORATED

Statement of Activities Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Patient service revenue (net of contractual allowances and discounts)	\$ 949,506	\$ -	\$ 949,506
Provision for bad debts	<u>(46,456)</u>	<u>-</u>	<u>(46,456)</u>
Net patient service revenue	903,050	-	903,050
Federal government grants	2,833,016	-	2,833,016
Program and contract income	1,049,318	-	1,049,318
Contributions	245,632	-	245,632
United Way allocations	108,671	25,000	133,671
In-kind contributions	35,714	-	35,714
Other grants	5,000	268,366	273,366
Other revenue	<u>3,096</u>	<u>-</u>	<u>3,096</u>
 Total support and revenue	 <u>5,183,497</u>	 <u>293,366</u>	 <u>5,476,863</u>
 Net assets released from restriction	 <u>225,022</u>	 <u>(225,022)</u>	 <u>-</u>
Expenses:			
Program services	4,607,767	-	4,607,767
Support services	<u>922,708</u>	<u>-</u>	<u>922,708</u>
 Total expenses	 <u>5,530,475</u>	 <u>-</u>	 <u>5,530,475</u>
 Change in net assets	 (121,956)	 68,344	 (53,612)
Net assets, beginning of year	<u>4,702,319</u>	<u>225,022</u>	<u>4,927,341</u>
Net assets, end of year	<u>\$ 4,580,363</u>	<u>\$ 293,366</u>	<u>\$ 4,873,729</u>

See accompanying notes to financial statements.

DAILY PLANET, INCORPORATED

Statement of Functional Expenses Year Ended June 30, 2016 with Comparative 2015 Totals

	Program Services			Total Program Services	Support Services		Total Support Services	2016 Total Expenses	2015 Total Expenses
	Public Health	Safe Haven	Respite		Administrative	Fundraising			
Salaries	\$ 2,546,746	\$ 245,497	\$ 191,472	\$ 2,983,715	\$ 314,837	\$ 185,570	\$ 500,407	\$ 3,484,122	\$ 3,336,126
Employee health and retirement benefits	285,585	32,190	12,659	330,434	155,793	26,089	181,882	512,316	450,262
Payroll taxes and workers compensation insurance	<u>181,307</u>	<u>17,847</u>	<u>15,367</u>	<u>214,521</u>	<u>18,696</u>	<u>13,361</u>	<u>32,057</u>	<u>246,578</u>	<u>239,850</u>
Total staff compensation	3,013,638	295,534	219,498	3,528,670	489,326	225,020	714,346	4,243,016	4,026,238
Education and training	18,188	860	1,297	20,345	759	776	1,535	21,880	9,267
General and program supplies	93,637	7,991	5,825	107,453	13,723	2,699	16,422	123,875	142,872
In-kind expenses	-	-	-	-	42,536	-	42,536	42,536	35,714
Insurance	52,956	8,289	6,107	67,352	7,459	3,729	11,188	78,540	80,379
Interest	-	8,564	-	8,564	6,652	-	6,652	15,216	15,307
Janitorial services	6,515	-	1,319	7,834	-	90	90	7,924	6,293
Miscellaneous	2,603	128	302	3,033	762	3,648	4,410	7,443	5,330
Postage	2,566	217	289	3,072	379	357	736	3,808	12,669
Professional fees and contract services	650,142	9,843	12,894	672,879	19,984	10,208	30,192	703,071	620,425
Promotional and advertising	83	2	3	88	30	1,325	1,355	1,443	2,797
Rental expense	11,784	36	4,907	16,727	30	494	524	17,251	15,309
Repairs and maintenance	30,703	18,424	8,504	57,631	(2,031)	1,209	(822)	56,809	66,841
Specific assistance to individuals	102,246	13,300	23,829	139,375	-	-	-	139,375	148,754
Telephone expense	23,610	6,171	8,438	38,219	1,432	1,080	2,512	40,731	46,253
Travel and transportation	14,783	1,676	1,699	18,158	2,360	4,468	6,828	24,986	26,089
Utilities	<u>40,702</u>	<u>18,572</u>	<u>12,308</u>	<u>71,582</u>	<u>-</u>	<u>1,796</u>	<u>1,796</u>	<u>73,378</u>	<u>80,006</u>
Total expenses before depreciation	4,064,156	389,607	307,219	4,760,982	583,401	256,899	840,300	5,601,282	5,340,543
Depreciation and amortization	<u>71,814</u>	<u>26,887</u>	<u>1,883</u>	<u>100,584</u>	<u>79,146</u>	<u>1,488</u>	<u>80,634</u>	<u>181,218</u>	<u>189,932</u>
Total expenses	<u>\$ 4,135,970</u>	<u>\$ 416,494</u>	<u>\$ 309,102</u>	<u>\$ 4,861,566</u>	<u>\$ 662,547</u>	<u>\$ 258,387</u>	<u>\$ 920,934</u>	<u>\$ 5,782,500</u>	<u>\$ 5,530,475</u>

See accompanying notes to financial statements.

DAILY PLANET, INCORPORATED

Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services				Total Program Services	Support Services		Total Support Services	Total Expenses
	Public Health	Public Health SCHC	Safe Haven	Respite		Administrative	Fundraising		
Salaries	\$ 2,175,445	\$ 193,901	\$ 231,060	\$ 202,287	\$ 2,802,693	\$ 357,980	\$ 175,453	\$ 533,433	\$ 3,336,126
Employee health and retirement benefits	248,913	4,311	28,040	9,495	290,759	135,596	23,907	159,503	450,262
Payroll taxes and workers compensation insurance	159,079	14,253	18,247	16,666	208,245	19,138	12,467	31,605	239,850
Total staff compensation	2,583,437	212,465	277,347	228,448	3,301,697	512,714	211,827	724,541	4,026,238
Education and training	6,801	140	517	786	8,244	845	178	1,023	9,267
General and program supplies	96,634	16,522	6,139	14,267	133,562	5,596	3,714	9,310	142,872
In-kind expenses	-	-	-	-	-	35,714	-	35,714	35,714
Insurance	52,373	2,546	8,108	6,201	69,228	7,288	3,863	11,151	80,379
Interest	36	3	9,291	76	9,406	5,898	3	5,901	15,307
Janitorial services	2,927	601	-	2,668	6,196	-	97	97	6,293
Miscellaneous	3,752	145	73	187	4,157	686	487	1,173	5,330
Postage	3,951	417	354	690	5,412	588	6,669	7,257	12,669
Professional fees and contract services	554,643	15,766	8,150	11,220	589,779	17,362	13,284	30,646	620,425
Promotional and advertising	1,057	778	24	184	2,043	551	203	754	2,797
Rental expense	6,447	3,706	36	4,712	14,901	60	348	408	15,309
Repairs and maintenance	24,405	11,554	20,493	8,466	64,918	1,079	844	1,923	66,841
Specific assistance to individuals	101,037	452	13,600	33,300	148,389	365	-	365	148,754
Telephone expense	26,505	3,859	6,775	5,844	42,983	1,806	1,464	3,270	46,253
Travel and transportation	16,753	888	984	2,360	20,985	2,729	2,375	5,104	26,089
Utilities	33,967	13,455	21,818	9,000	78,240	-	1,766	1,766	80,006
Total expenses before depreciation	3,514,725	283,297	373,709	328,409	4,500,140	593,281	247,122	840,403	5,340,543
Depreciation	39,577	38,992	26,476	2,582	107,627	80,222	2,083	82,305	189,932
Total expenses	\$ 3,554,302	\$ 322,289	\$ 400,185	\$ 330,991	\$ 4,607,767	\$ 673,503	\$ 249,205	\$ 922,708	\$ 5,530,475

See accompanying notes to financial statements.

DAILY PLANET, INCORPORATED

Statements of Cash Flows Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 609,158	\$ (53,612)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	181,218	189,932
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(40,901)	(3,482)
Grants and contributions receivable	(141,516)	(61,144)
Medicaid receivable	(124,301)	-
Other receivables	(27,130)	15,109
United Way Services funding commitment for the next fiscal year	-	42,800
Prepaid expenses	5,204	(5,480)
Accounts payable and accrued expenses	<u>(10,550)</u>	<u>(87,417)</u>
Net cash provided by operating activities	<u>451,182</u>	<u>36,706</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(281,250)</u>	<u>(20,656)</u>
Net cash used in investing activities	<u>(281,250)</u>	<u>(20,656)</u>
Cash flows from financing activities:		
Proceeds from note payable	320,707	-
Payments on notes payable	(151,831)	(47,838)
Cash held for consumer escrow	<u>-</u>	<u>54,520</u>
Net cash provided by financing activities	<u>168,876</u>	<u>6,682</u>
Change in cash and cash equivalents	338,808	22,732
Cash and cash equivalents, beginning of year	<u>1,392,669</u>	<u>1,369,937</u>
Cash and cash equivalents, end of year	<u>\$ 1,731,477</u>	<u>\$ 1,392,669</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 15,216</u>	<u>\$ 15,307</u>
Payment of debt issuance costs via note payable	<u>\$ 4,293</u>	<u>\$ -</u>

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, 2016 consist of grants of \$78,000 and a United Way Services' funding commitment of \$25,000 received for the 2017 fiscal year. Temporarily restricted net assets at June 30, 2015 consisted of grants of \$218,366, United Way Services' funding commitment of \$25,000 received for the 2016 fiscal year, and \$50,000 for branding communications.

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, 2016 and 2015.

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, 5 to 10 years for software, 10 years for vehicles and 15 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 2016 and 2015.

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 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 \$103,142 at June 30, 2016 and \$43,643 at June 30, 2015. 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 patients 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, 2016, there was one unconditional promises to give in the amount of \$78,000. At June 30, 2015, there were two unconditional promises to give in the amounts of \$160,000 and \$58,366.

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

In addition, the Organization has recorded receivables from United Way for \$25,000 for 2016 and 2015.

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 \$42,536 for 2016 and \$35,714 for 2015.

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.

In April 2015, the FASB approved Accounting Standards Update (“ASU”) 2015-03, which amends ASC 835, *Interest*. The amendment requires the Organization to present debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Organization early adopted the new guidance effective June 30, 2016. As a result, 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.

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 be different from those estimates.

Subsequent Events: Management has evaluated subsequent events through September 20, 2016, 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>2016</u>	<u>2015</u>
Land	\$ 218,108	\$ 218,108
Buildings and improvements	5,040,793	4,764,059
Furniture and equipment	669,181	666,896
Software	137,892	135,659
Vehicle	8,808	8,808
	<u>6,074,782</u>	<u>5,793,530</u>
Less accumulated depreciation	<u>2,406,501</u>	<u>2,225,710</u>
Net property and equipment	<u>\$ 3,668,281</u>	<u>\$ 3,567,820</u>

Depreciation expense amounted to \$180,789 for 2016 and \$189,932 for 2015.

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>2016</u>	<u>2015</u>
Bank of America, secured by property located at 517 W. Grace Street, payable in monthly installments of \$2,606, including interest at 3.98%, due October 2021. Paid in full during 2016.	\$ -	\$ 130,327
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 28, 2026.	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>287,689</u>	<u>297,726</u>
	601,222	428,053
Unamortized debt issuance costs	<u>(3,864)</u>	<u>-</u>
	<u>\$ 597,358</u>	<u>\$ 428,053</u>

DAILY PLANET, INCORPORATED

Notes to Financial Statements, Continued

4. Notes Payable, Continued:

Aggregate principal maturities required on notes payable at June 30, 2016, are as follows:

Year Ended June 30:	Amount
2017	\$ 40,079
2018	41,411
2019	42,788
2020	44,211
2021	45,682
Thereafter	387,051
	601,222
Unamortized debt issuance costs	(3,864)
	\$ 597,358

The debt issuance costs is amortized over the life of the term loans and reported as amortization within the 2016 statement of functional expenses. The amount expensed for 2016 was \$429.

5. Net Patient Service Revenue:

For the years ended June 30, 2016 and 2015, patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), by primary payor source was as follows:

	2016	2015
Third-Party Payors	\$ 1,090,414	\$ 792,878
Self-Pay	164,356	156,628
	\$ 1,254,770	\$ 949,506

6. Commitments:

Leases:

The Organization has three lease agreements for the use of copiers under operating leases. Monthly payments range from \$465 to \$648, with the leases expiring between February 2017 and June 2019.

Rent expense for these copier leases was \$17,251 for 2016 and \$15,309 for 2015.

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 2016 and \$183,558 in 2015 to BSRHCF for these services. Under the agreement, the Organization is obligated to pay \$107,684 during fiscal year 2017 to BSRHCF. This agreement expires on February 28, 2017 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 \$57,631 for 2016 and \$38,572 for 2015.

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 \$54,564 for 2016 and \$43,070 for 2015.

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 \$17,542 in 2016 and \$19,792 in 2015.

DAILY PLANET, INCORPORATED

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

<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	\$ 2,747,518
Health Infrastructure Investment Program	93.526	281,881
Ryan White Care Act Part B	93.917	<u>238,196</u>
Total U.S. Department of Health and Human Services		<u>3,267,595</u>
U.S. Department of Housing and Urban Development:		
Supportive Housing Program - Safe Haven - No. VA36B94-0066	14.235	<u>169,123</u>
Total U.S. Department of Housing and Urban Development		<u>169,123</u>
Total		<u>\$ 3,436,718</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, 2016 and 2015, 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 20, 2016.

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 20, 2016
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, 2016. 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, 2016.

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 20, 2016
Glen Allen, Virginia

DAILY PLANET, INCORPORATED

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Not Applicable

DAILY PLANET, INCORPORATED

Schedule of Findings and Questioned Costs Year Ended June 30, 2016

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