



Financial Statements

June 30, 2018 and 2017



4401 Dominion Boulevard
Glen Allen, Virginia 23060
Tel: 804.747.0000
www.keitercpa.com

Daily Planet, Incorporated

Table of Contents

	<u>Page</u>
Report of Independent Accountants	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9
Supplemental Information:	
Schedule of Expenditures of Federal Awards	16
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 <i>Government Auditing Standards</i>	17
Report of Independent Accountants on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	19
Summary Schedule of Prior Audit Findings	21
Schedule of Findings and Questioned Costs	22
Corrective Action Plan	23

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, 2018 and 2017, 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, 2018 and 2017, 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 26, 2018, 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 26, 2018
Glen Allen, Virginia

Daily Planet, Incorporated

Statements of Financial Position June 30, 2018 and 2017

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Assets:		
Cash and cash equivalents	\$ 1,868,970	\$ 1,068,629
Certificates of deposit	533,017	790,748
Patient accounts receivable, net	163,503	104,566
Medicaid receivable	-	166,517
Other receivables	141,676	266,401
United Way Services funding commitment for the next fiscal year	24,125	25,000
Prepaid expenses	45,982	75,901
Property and equipment, net	<u>3,939,433</u>	<u>3,799,857</u>
Total assets	<u>\$ 6,716,706</u>	<u>\$ 6,297,619</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 60,691	\$ 113,709
Accrued annual leave	122,098	81,918
Deferred revenue	101,450	-
Note payable	<u>263,115</u>	<u>275,261</u>
Total liabilities	<u>547,354</u>	<u>470,888</u>
Net assets:		
Unrestricted	6,145,227	5,776,731
Temporarily restricted	<u>24,125</u>	<u>50,000</u>
Total net assets	<u>6,169,352</u>	<u>5,826,731</u>
Total liabilities and net assets	<u>\$ 6,716,706</u>	<u>\$ 6,297,619</u>

See accompanying notes to financial statements.

Daily Planet, Incorporated

Statement of Activities Year Ended June 30, 2018 with Comparative 2017 Totals

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
Support and revenue:				
Patient service revenue (net of contractual allowances and discounts)	\$ 1,580,258	\$ -	\$ 1,580,258	\$ 1,560,012
Provision for bad debts	(56,339)	-	(56,339)	(92,782)
Net patient service revenue	1,523,919	-	1,523,919	1,467,230
Federal government grants	3,586,875	-	3,586,875	3,437,968
Program and contract income	764,342	-	764,342	888,578
Contributions	211,409	-	211,409	119,920
United Way allocations	40,668	24,125	64,793	70,638
In-kind contributions	114,376	-	114,376	93,438
Other grants	790,461	-	790,461	628,669
Other revenue	10,077	-	10,077	12,622
Total support and revenue	7,042,127	24,125	7,066,252	6,719,063
Net assets released from restriction	50,000	(50,000)	-	-
Expenses:				
Program services	5,802,447	-	5,802,447	5,345,328
Support services	921,184	-	921,184	1,017,700
Total expenses	6,723,631	-	6,723,631	6,363,028
Loss on disposal of property and equipment	-	-	-	(12,191)
Change in net assets	368,496	(25,875)	342,621	343,844
Net assets, beginning of year	5,776,731	50,000	5,826,731	5,482,887
Net assets, end of year	\$ 6,145,227	\$ 24,125	\$ 6,169,352	\$ 5,826,731

See accompanying notes to financial statements.

Daily Planet, Incorporated

Statement of Activities Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	2017 Total
Support and revenue:			
Patient service revenue (net of contractual allowances and discounts)	\$ 1,560,012	\$ -	\$ 1,560,012
Provision for bad debts	<u>(92,782)</u>	<u>-</u>	<u>(92,782)</u>
Net patient service revenue	1,467,230	-	1,467,230
Federal government grants	3,437,968	-	3,437,968
Program and contract income	888,578	-	888,578
Contributions	119,920	-	119,920
United Way allocations	45,638	25,000	70,638
In-kind contributions	93,438	-	93,438
Other grants	603,669	25,000	628,669
Other revenue	<u>12,622</u>	<u>-</u>	<u>12,622</u>
Total support and revenue	<u>6,669,063</u>	<u>50,000</u>	<u>6,719,063</u>
Net assets released from restriction	<u>103,000</u>	<u>(103,000)</u>	<u>-</u>
Expenses:			
Program services	5,345,328	-	5,345,328
Support services	<u>1,017,700</u>	<u>-</u>	<u>1,017,700</u>
Total expenses	6,363,028	-	6,363,028
Loss on disposal of property and equipment	<u>(12,191)</u>	<u>-</u>	<u>(12,191)</u>
Change in net assets	396,844	(53,000)	343,844
Net assets, beginning of year	<u>5,379,887</u>	<u>103,000</u>	<u>5,482,887</u>
Net assets, end of year	<u>\$ 5,776,731</u>	<u>\$ 50,000</u>	<u>\$ 5,826,731</u>

See accompanying notes to financial statements.

Daily Planet, Incorporated

Statement of Functional Expenses Year Ended June 30, 2018 with Comparative 2017 Totals

	Program Services			Total Program Services	Support Services			2018 Total Expenses	2017 Total Expenses
	Public Health	Safe Haven	Respite		Administrative	Fundraising	Total Support Services		
Salaries	\$ 3,246,333	\$ 260,285	\$ 220,345	\$ 3,726,963	\$ 331,894	\$ 193,467	\$ 525,361	\$ 4,252,324	\$ 3,936,738
Employee health and retirement benefits	399,338	22,369	20,082	441,789	93,366	13,573	106,939	548,728	494,251
Payroll taxes and workers compensation insurance	<u>220,110</u>	<u>18,733</u>	<u>17,527</u>	<u>256,370</u>	<u>27,740</u>	<u>13,272</u>	<u>41,012</u>	<u>297,382</u>	<u>280,855</u>
Total staff compensation	3,865,781	301,387	257,954	4,425,122	453,000	220,312	673,312	5,098,434	4,711,844
Education and training	4,244	130	112	4,486	778	1,232	2,010	6,496	12,823
General and program supplies	180,425	14,474	6,605	201,504	13,691	6,332	20,023	221,527	147,015
In-kind expenses	48,916	-	-	48,916	65,460	-	65,460	114,376	93,438
Insurance	54,864	9,996	5,994	70,854	8,546	3,954	12,500	83,354	62,586
Interest	124	8,312	14	8,450	-	9	9	8,459	15,948
Janitorial services	7,003	-	2,550	9,553	-	245	245	9,798	6,624
Miscellaneous	10,147	424	434	11,005	705	320	1,025	12,030	10,359
Postage	2,632	372	319	3,323	499	931	1,430	4,753	5,017
Professional fees and contract services	544,314	17,891	16,354	578,559	51,974	10,464	62,438	640,997	736,663
Promotional and advertising	2,166	207	256	2,629	338	1,315	1,653	4,282	2,900
Rental expense	11,882	1,196	3,291	16,369	7	522	529	16,898	15,559
Repairs and maintenance	49,062	15,023	10,617	74,702	692	1,562	2,254	76,956	74,868
Specific assistance to individuals	64,973	6,781	22,609	94,363	234	299	533	94,896	143,457
Telephone expense	36,240	5,449	9,905	51,594	1,032	1,520	2,552	54,146	46,426
Travel and transportation	10,096	910	2,164	13,170	9,773	1,927	11,700	24,870	25,780
Utilities	<u>44,491</u>	<u>21,349</u>	<u>10,593</u>	<u>76,433</u>	<u>19</u>	<u>1,868</u>	<u>1,887</u>	<u>78,320</u>	<u>70,067</u>
Total expenses before depreciation	4,937,360	403,901	349,771	5,691,032	606,748	252,812	859,560	6,550,592	6,181,374
Depreciation	<u>80,891</u>	<u>28,641</u>	<u>1,883</u>	<u>111,415</u>	<u>59,799</u>	<u>1,825</u>	<u>61,624</u>	<u>173,039</u>	<u>181,654</u>
Total expenses	<u>\$ 5,018,251</u>	<u>\$ 432,542</u>	<u>\$ 351,654</u>	<u>\$ 5,802,447</u>	<u>\$ 666,547</u>	<u>\$ 254,637</u>	<u>\$ 921,184</u>	<u>\$ 6,723,631</u>	<u>\$ 6,363,028</u>

See accompanying notes to financial statements.

Daily Planet, Incorporated

**Statement of Functional Expenses
Year Ended June 30, 2017**

	Program Services				Support Services			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
Employee health and retirement benefits	331,053	24,323	14,123	369,499	100,959	23,793	124,752	494,251
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>
Total staff compensation	3,384,880	291,866	242,862	3,919,608	550,095	242,141	792,236	4,711,844
Education and training	9,578	78	513	10,169	795	1,859	2,654	12,823
General and program supplies	109,664	19,000	6,380	135,044	7,665	4,306	11,971	147,015
In-kind expenses	39,666	-	-	39,666	53,772	-	53,772	93,438
Insurance	41,143	8,040	4,879	54,062	5,651	2,873	8,524	62,586
Interest	-	7,809	-	7,809	8,139	-	8,139	15,948
Janitorial services	4,304	-	2,225	6,529	-	95	95	6,624
Miscellaneous	8,645	312	402	9,359	707	293	1,000	10,359
Postage	3,581	299	399	4,279	489	249	738	5,017
Professional fees and contract services	659,235	16,535	16,884	692,654	30,175	13,834	44,009	736,663
Promotional and advertising	944	76	104	1,124	284	1,492	1,776	2,900
Rental expense	9,776	9	5,397	15,182	7	370	377	15,559
Repairs and maintenance	31,185	27,450	13,358	71,993	1,767	1,108	2,875	74,868
Specific assistance to individuals	111,523	7,045	24,585	143,153	304	-	304	143,457
Telephone expense	28,285	5,460	10,398	44,143	979	1,304	2,283	46,426
Travel and transportation	15,066	1,290	2,609	18,965	3,774	3,041	6,815	25,780
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>
Total expenses before depreciation	4,494,259	404,503	343,470	5,242,232	664,603	274,539	939,142	6,181,374
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>
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>

See accompanying notes to financial statements.

Daily Planet, Incorporated

Statements of Cash Flows Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 342,621	\$ 343,844
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	173,039	181,654
Amortization of deferred financing costs	-	3,864
Loss on disposal of property and equipment	-	12,191
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(58,937)	7,170
Grants and contributions receivable	-	359,882
Medicaid receivable	166,517	(42,216)
Other receivables	125,600	(153,490)
Prepaid expenses	29,919	(36,461)
Accounts payable and accrued expenses	(12,838)	102,843
Deferred revenue	101,450	-
	<u>867,371</u>	<u>779,281</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(312,615)	(325,420)
Redemption (purchase) of certificates of deposit	257,731	(12,172)
	<u>(54,884)</u>	<u>(337,592)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Payments on note payable	(12,146)	(325,961)
	<u>(12,146)</u>	<u>(325,961)</u>
Net cash used in financing activities		
Change in cash and cash equivalents	800,341	115,728
Cash and cash equivalents, beginning of year	<u>1,068,629</u>	<u>952,901</u>
Cash and cash equivalents, end of year	<u>\$ 1,868,970</u>	<u>\$ 1,068,629</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 8,459</u>	<u>\$ 12,084</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, 2018, consist of a United Way Services' funding commitment of \$24,125 received for the 2018 fiscal year. Temporarily restricted net assets at June 30, 2017, consisted of a grant of \$25,000 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, 2018 and 2017.

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.

Deferred Revenue: All revenue received in advance for services to be provided subsequent to year-end is deferred revenue and recognized in the year the service is provided.

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 2018 and 2017.

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 \$163,342 at June 30, 2018, and \$96,059 at June 30, 2017. 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, 2018 and 2017, there were no unconditional promises to give.

In addition, the Organization has recorded receivables from United Way in the amount of \$24,125 in 2018 and \$25,000 in 2017.

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 medical lab testing, clothing, toiletries, and other disposable items equaled \$114,376 for 2018 and \$93,438 for 2017.

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 had been presented as a deduction of long-term debt in the statements of financial position. There were no unamortized debt issuance costs at June 30, 2018 or 2017. Amortization is charged to interest expense and was \$3,864 for 2017.

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.

Subsequent Events: Management has evaluated subsequent events through September 26, 2018, 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>2018</u>	<u>2017</u>
Land	\$ 218,108	\$ 218,108
Buildings and improvements	5,102,386	5,040,793
Furniture and equipment	224,001	186,808
Software	93,959	72,075
Vehicle	8,808	8,808
Construction in process	<u>448,484</u>	<u>256,538</u>
	6,095,746	5,783,130
Less accumulated depreciation	<u>2,156,313</u>	<u>1,983,273</u>
Net property and equipment	<u>\$ 3,939,433</u>	<u>\$ 3,799,857</u>

Depreciation expense amounted to \$173,039 for 2018 and \$181,653 for 2017.

At June 30, 2018 and 2017, construction in process was composed of building renovations at the Organization's headquarters located at 517 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. Note Payable:

Note payable consists of a note with the Virginia Housing Development Authority, secured by property located at 2856-2864 Hull Street. The note is payable in monthly installments of \$1,686, including interest at a rate of 3%, and matures in December 2034. The balance was \$263,115 as of June 30, 2018, and \$275,261 as of June 30, 2017.

Aggregate principal maturities required on notes payable at June 30, 2018, are as follows:

Year Ended June 30:	Amount
2019	\$ 12,515
2020	12,895
2021	13,288
2022	13,692
2023	14,108
Thereafter	196,617
	\$ 263,115

5. Net Patient Service Revenue:

For the years ended June 30, 2018 and 2017, patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), by primary payor source was as follows:

	2018	2017
Third-Party Payors	\$ 1,510,821	\$ 1,285,103
Self-Pay	69,437	274,909
	\$ 1,580,258	\$ 1,560,012

Daily Planet, Incorporated

Notes to Financial Statements, Continued

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 \$9,258 in 2019, \$6,666 in 2020, \$6,120 in 2021, \$6,120 in 2022, and \$2,040 in 2023.

Rent expense for these copier leases was \$16,898 for 2018 and \$15,559 for 2017.

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 2018 and 2017 to BSRHCF for these services. Under the agreement, the Organization is obligated to pay \$107,684 during fiscal year 2019 to BSRHCF. This agreement expires on February 28, 2019, 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 \$61,413 for 2018 and \$60,694 for 2017.

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 \$65,165 for 2018 and \$58,932 for 2017.

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 \$22,750 in 2018 and \$18,208 in 2017.

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, 2018

<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	\$ 2,934,536
Health Infrastructure Investment Program	93.526	217,323
Ryan White Care Act Part B	93.917	<u>321,196</u>
Total U.S. Department of Health and Human Services		<u>3,473,055</u>
U.S. Department of Housing and Urban Development:		
Supportive Housing Program - Safe Haven - No. VA36B94-0066	14.235	<u>87,768</u>
Passed Through City of Richmond Passed Through Department of Justice Services Continuum of Care Program	14.267	<u>26,052</u>
Total U.S. Department of Housing and Urban Development		<u>113,820</u>
Total		<u>\$ 3,586,875</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, 2018 and 2017, 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 26, 2018.

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 stylized flourish at the end.

September 26, 2018
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, 2018. 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, 2018.

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 26, 2018
Glen Allen, Virginia

Daily Planet, Incorporated

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

Not Applicable

Daily Planet, Incorporated

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

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, 2018

Not Applicable