

PLACES, INC.  
FINANCIAL STATEMENTS  
JUNE 30, 2017 and 2016

*John C. Harvey, CPA  
48 Marco Lane  
Dayton, OH 45458  
(937) 436-1107*

To the Board of Trustees  
PLACES, Inc.  
Dayton, Ohio

## INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying statement of financial position of PLACES, Inc. as of June 30, 2017 and 2016, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PLACES, Inc. 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 of America.

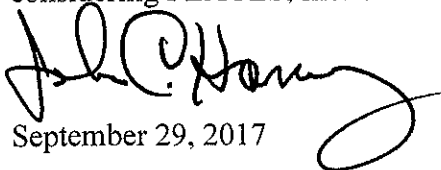
## **Other Matters**

### ***Other Information***

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my 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, I have also issued my report dated September 29, 2017, on my consideration of PLACES, Inc.'s internal control over financial reporting and on my 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 my 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 PLACES, Inc.'s internal control over financial reporting and compliance.

  
September 29, 2017

PLACES, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016

	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2016</u>
ASSETS:		
Current assets:		
Cash	\$ 294,140	\$ 91,347
Accounts receivable	267,249	240,933
Prepaid expenses	<u>6,773</u>	<u>4,965</u>
Total current assets	568,162	337,245
Board designated investment fund (Note E)	776,083	1,004,787
Property and equipment:		
Building and improvements	1,047,475	1,046,227
Furniture and equipment	<u>656,349</u>	<u>530,178</u>
	1,703,824	1,576,405
Less: accumulated depreciation	<u>(1,332,700)</u>	<u>(1,257,407)</u>
Net property and equipment	<u>371,124</u>	<u>318,998</u>
Total assets	<u>\$ 1,715,369</u>	<u>\$ 1,661,030</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accrued payroll and related expenses	\$ 216,662	\$ 188,161
Accounts payable	<u>60,245</u>	<u>75,512</u>
Total current liabilities	276,907	263,673
Net assets:		
Temporarily restricted	155,455	155,455
Unrestricted	<u>1,283,007</u>	<u>1,241,902</u>
Total net assets	<u>1,438,462</u>	<u>1,397,357</u>
Total liabilities and net assets	<u>\$ 1,715,369</u>	<u>\$ 1,661,030</u>

See notes to financial statements

PLACES, INC.  
STATEMENT OF ACTIVITIES  
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>Year</u> <u>Ended</u> <u>June 30</u> <u>2017</u>	<u>Year</u> <u>Ended</u> <u>June 30</u> <u>2016</u>
CHANGE IN UNRESTRICTED NET ASSETS:		
REVENUE AND SUPPORT:		
Operating grants:		
Montgomery County ADAMHS Board	\$ 1,342,540	\$ 1,416,134
Federal - Opening Doors	416,043	440,332
Federal - Permanent Supportive Housing	961,110	968,203
Federal - HOME Investment Partnership Program	93,776	93,778
Revenue from services	539,839	563,434
Investment income	125,932	(12,051)
Other	<u>181,477</u>	<u>60,766</u>
Total unrestricted revenue and support	3,660,717	3,530,596
EXPENSE:		
Program services:		
Adult care facilities	1,375,191	1,285,195
Permanent supportive housing	1,174,176	1,136,620
Supported living	551,381	638,857
Administration	<u>518,868</u>	<u>489,055</u>
Total expenses	<u>3,619,616</u>	<u>3,549,727</u>
Increase in unrestricted net assets	41,101	(19,131)
Net assets at beginning of year	<u>1,397,357</u>	<u>1,416,488</u>
Net assets at end of year	<u>\$ 1,438,458</u>	<u>\$ 1,397,357</u>

See notes to financial statements

PLACES, INC.  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>Year Ended June 30 2017</u>	<u>Year Ended June 30 2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess revenue over expense	\$ 41,101	\$ (19,131)
Adjustments to reconcile revenue in excess of expenses to net cash provided from operating activity - depreciation	75,293	77,545
(Income) loss on board designated investment fund	(125,752)	12,051
(Increase) decrease in accounts receivable	(26,316)	5,150
(Increase) decrease in prepaid expenses	(1,808)	3,539
Increase (decrease) in accrued payroll	28,501	(50,561)
Increase (decrease) in accounts payable	<u>(15,267)</u>	<u>31,843</u>
Net cash flow provided by (used in) operation	<u>(24,248)</u>	<u>60,436</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(127,419)	(47,925)
Sale of investments	973,445	71,321
Purchase of investments	<u>(618,985)</u>	<u>(66,399)</u>
Net cash (used in) investing activities	227,041	(43,003)
CASH FLOW FROM FINANCING ACTIVITY:		
Rapayment of line of credit	-	(100,000)
Proceeds from line of credit	<u>-</u>	<u>-</u>
Net cash (used in) financing activities	-	(100,000)
NET INCREASE (DECREASE) IN CASH	202,793	(82,567)
CASH - BEGINNING OF PERIOD	<u>91,347</u>	<u>173,914</u>
CASH - END OF PERIOD	<u>\$ 294,140</u>	<u>\$ 91,347</u>

See notes to financial statements

PLACES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 and 2016

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING  
POLICIES

1. Nature of activities: PLACES, Inc. offers three service lines for mentally ill adults: Adult Care Facilities (ACF); a Supportive Living Program (SLP); and a Permanent Supportive Housing (PSH) program for homeless mentally ill adults. PLACES houses 36 severe and persistently mentally ill adults in need of a high level of supervision in four ACFs and provides SLP case management services to a total case load of approximately 200 clients. PLACES' PSH program provides housing and supportive services to 38 formerly homeless mentally ill adults. PLACES administers HUD grants that provide supportive services for homeless adults disabled by mental illness, substance abuse or both.

2. Accounting principles:

These financial statements are prepared on the accrual basis of accounting. Certain grants and donations have donor imposed restrictions. When these restrictions are met in the year the donations or grants are received, these are reported as unrestricted revenue.

3. Property and equipment:

Property and equipment are recorded at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

4. Income taxes:

The Corporation is a not-for-profit corporation exempt from federal income taxes pursuant to the provisions of Section 501 (c) (3) of the Internal Revenue Code. The Organization's forms 990 for the years ended June 30, 2016, 2015 and 2014 are subject to examination by the IRS, generally for three years from date of filing.

5. Cash:

For reporting purposes, the Corporation considers cash as all cash on hand, cash deposited in banks and cash deposited in money market accounts. Board designated investment funds are excluded from cash. See Note E.

6. Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimated.

7. Subsequent events:

Subsequent events have been evaluated through September 29, 2017, which is the date the financial statements were available for release.

NOTE B - TEMPORARILY RESTRICTED NET ASSETS

During the year ended June 30, 1997, the Corporation received two capital improvement grants for the purchase and renovation of facilities. The total amount of these grants is \$155,455. The grants are restricted and the facility purchased with these grants must be used to provide affordable housing for 5 to 8 very low income persons with mental illness for a period of 20 years from the date of occupancy. This home was occupied on December 8, 1997. There are restrictions as to the amount of rent that may be charged.

PLACES, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017 and 2016

NOTE C - LEASES

The Corporation leases its administrative offices for approximately \$55,000 per year including parking. This office lease ended September 30, 2017. The Corporation intends to extend this lease. The Corporation leases apartments for clients. The apartment lease expense is approximately \$270,000 per year. Apartment leases may be cancelled with 60 days notice.

NOTE D - PENSION PLAN

The Corporation has a defined contribution pension plan in which essentially all full-time employees participate. Pension contributions are determined annually by the Board of Trustees. Pension expense was \$106,983 and \$99,594 for the years ended June 30, 2017 and 2016. Pension expense is recognized in the year for which it is authorized by the Board of Trustees.

NOTE E - BOARD DESIGNATED INVESTMENT FUND

The Board of Trustees has designated certain funds to be set aside for investment and growth. The Board must approve the use of these funds. This investment is stated at market value. Fair market value is determined by quoted prices in active markets for identical assets. Investments are managed by Fifth Third Bank and consist of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Money market	\$ 35,327	\$ 34,575
Bond funds	209,028	303,940
Equity funds	469,320	666,272
Real property funds	<u>62,409</u>	<u>0</u>
Total Market Value	<u>\$ 776,084</u>	<u>\$ 1,004,787</u>
Total Cost Basis	<u>\$ 744,490</u>	<u>\$ 898,890</u>

Income (losses) on Board Designated funds are as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Dividends and interest	\$ 30,693	\$ 57,424
Net realized gains and (losses)	169,361	(10,542)
Net unrealized gains and (losses)	(74,302)	(58,936)
Investment expense	<u>(4,454)</u>	<u>(4,920)</u>
Net gains (losses) on Board Designated funds	<u>\$ 121,298</u>	<u>\$ (16,974)</u>



PLACES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 and 2016

NOTE F - RESTRICTED GRANTS

Essentially all grant revenue is restricted for the operating purposes stated in the grants.

NOTE G - ECONOMIC DEPENDENCY

PLACES, Inc. receives a substantial portion of its funding through grants from the Alcohol, Drug Addiction and Mental Health Services Board for Montgomery County and the U. S. Department of Housing and Urban Development. Therefore, PLACES, Inc. is economically dependent upon these funding sources.

NOTE H - HUD GRANTS

PLACES, Inc. is the prime recipient of HUD HEARTH Grants. These grants are awarded annually and renewals must be approved by HUD. These grants fund services to homeless persons with mental illness or chemical dependency.

NOTE I – NEW ACCOUNTING GUIDANCE

In February 2016, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) No. 2016-2. *Leases (topic 842)*, which amends existing accounting standards for lease accounting, including by requiring lessees to recognize most leases on the balance sheet and making certain changes to lessor accounting. The new standard is effective for non-public entities for fiscal years beginning after December 15, 2019 and for interim periods therein with early adoption permitted. We are currently evaluating the impact of the new standard may have PLACES, Inc.'s financial statements.

In August 2016, the Financial Accounting Standards Board (the FASB) issued an update to Not-for-Profit accounting to help charities, foundations, universities, other Not-for-Profit groups (Organization) better tell their “financial Story”. The Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities, deals largely with financial statement presentation issues – how organizations convey how they spend and invest their resources. The standard requires an organization classify their assets into two categories – those with donor restrictions and those without. The update also aims to enhance information about an organization’s expenses through a new expense analysis that shows expenses broken down by nature and function. Further, the update will require organizations to provide information that shows how they manage their access to cash over the next twelve months and retain liquidity. The update goes into effect for financial statements issued for fiscal years beginning after December 15, 2018. Organizations will be allowed to follow the standard ahead of the overall effective date. The Organization is evaluating the impact the adoptions of ASU 2016-14 will have on its financial statements.

PLACES, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2017

Program Title	Federal Agency	Pass-thru Entity	CFDA #	Total Federal Expenditures
<b>MAJOR PROGRAMS :</b>				
Supportive housing program	HUD	NA	14.235	1,377,153
<b>NON-MAJOR PROGRAMS :</b>				
HOME Investment Partnership Program	HUD	Montgomery County	14.239	<u>93,776</u>
Total Expenditures of Federal Awards				<u>\$ 1,470,929</u>

**NOTE:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of PLACES, Inc. under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of PLACES, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of PLACES, Inc.

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To the Board of Trustees  
PLACES, Inc.  
Dayton, Ohio

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Report on Compliance for Each Major Federal Program

I have audited PLACES, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of PLACES, Inc.'s major federal programs for the year ended June 30, 2017. PLACES, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of PLACES, Inc.'s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that I 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 PLACES, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In my opinion, PLACES, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

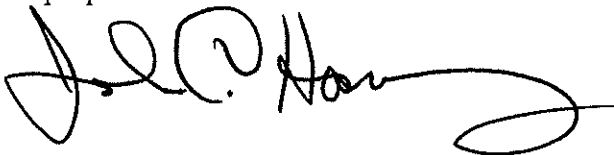
## Report on Internal Control Over Compliance

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

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I 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 my 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 29, 2017

*John C. Harvey, CPA  
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(937) 436-1107*

To the Board of Trustees  
PLACES, Inc.  
Dayton, Ohio

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

I have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of PLACES, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon September 29, 2017.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered PLACES, Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PLACES, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

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

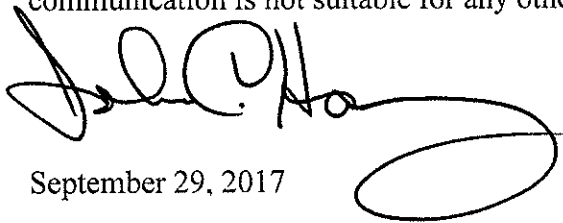
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 PLACES, Inc.'s financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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 be "J. C. Ha", written over a large, horizontal oval scribble.

September 29, 2017

PLACES, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2017

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial statements:*

Type of auditor's report issued	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified	<u>No</u>
Reportable conditions identified that are not considered to be material weaknesses	<u>None reported</u>
Noncompliance material to financial statements	<u>No</u>

*Federal awards:*

Internal control over major programs:	
Material weaknesses	<u>No</u>
Reportable conditions identified that are not considered to be material weaknesses	<u>None reported</u>
Type of auditor's report on compliance for major programs	<u>Unqualified</u>
Any findings disclosed that are required to be reported by Uniform Guidance	<u>No</u>

*Identification of major programs:*

CFDA#	<u>14.235</u>
Name of federal program	<u>Supported housing</u>
Dollar threshold used to distinguish type A and type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee	<u>Yes</u>

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None