

PLACES, INC.
FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010

*John C. Harvey, CPA
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To the Board of Trustees
PLACES, Inc. and
The Alcohol, Drug Addiction and Mental Health
Services Board for Montgomery County
Dayton, Ohio

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying statement of financial position of PLACES, Inc. as of June 30, 2011 and 2010 and the related statement of activities and statement of cash flows for the years then ended. These financial statements are the responsibility of the management of PLACES, Inc. 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 and 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 of material misstatements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my 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, 2011 and 2010 and the results of activities and changes in cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, I have also issued a report dated October 12, 2011 on my consideration of PLACES, Inc.'s internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of PLACES, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

John C. Harvey, CPA

October 12, 2011

PLACES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>
ASSETS:		
Current assets:		
Cash	\$ 336,459	\$ 198,352
Accounts receivable	188,173	331,935
Prepaid expenses	<u>16,381</u>	<u>19,999</u>
Total current assets	541,013	550,286
Board designated investment fund (Note E)	757,218	670,764
Property and equipment:		
Building and improvements	1,004,444	1,004,444
Furniture and equipment	<u>379,701</u>	<u>365,975</u>
	1,384,145	1,370,419
Less: accumulated depreciation	<u>(950,608)</u>	<u>(904,645)</u>
Net property and equipment	<u>433,537</u>	<u>465,774</u>
Total assets	<u>\$ 1,731,768</u>	<u>\$ 1,686,824</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accrued payroll and related expenses	\$ 260,149	\$ 199,418
Accounts payable	<u>78,625</u>	<u>70,569</u>
Total current liabilities	338,774	269,987
Net assets:		
Temporarily restricted	155,455	155,455
Unrestricted	<u>1,237,539</u>	<u>1,261,382</u>
Total net assets	<u>1,392,994</u>	<u>1,416,837</u>
Total liabilities and net assets	<u>\$ 1,731,768</u>	<u>\$ 1,686,824</u>

See notes to financial statements

PLACES, INC.
STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2011 AND 2010

	<u>Year</u> <u>Ended</u> <u>June 30</u> <u>2011</u>	<u>Year</u> <u>Ended</u> <u>June 30</u> <u>2010</u>
CHANGE IN UNRESTRICTED NET ASSETS:		
REVENUE AND SUPPORT:		
Operating grants:		
Montgomery County ADAMHS Board	\$ 1,305,252	\$ 1,305,252
Federal - Main Street	71,081	71,081
Federal - Opening Doors	748,919	723,315
Federal - Permanent Supportive Housing	603,921	601,902
Federal - HOME Investment Partnership Program	99,257	93,036
Revenue from services	374,554	353,031
Investment income & other	<u>153,317</u>	<u>82,896</u>
Total unrestricted revenue and support	3,356,301	3,230,513
EXPENSE:		
Program services:		
Residential services for disabled persons	2,013,433	1,934,295
Supported living	904,181	902,936
Administration	<u>462,530</u>	<u>424,431</u>
Total expenses	<u>3,380,144</u>	<u>3,261,662</u>
Increase in unrestricted net assets	(23,843)	(31,149)
Net assets at beginning of year	<u>1,416,837</u>	<u>1,447,986</u>
Net assets at end of year	<u>\$ 1,392,994</u>	<u>\$ 1,416,837</u>

See notes to financial statements

PLACES, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	<u>Year Ended June 30 2011</u>	<u>Year Ended June 30 2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess revenue over expense	\$ (23,843)	\$ (31,149)
Adjustments to reconcile revenue in excess of expenses to net cash provided from operating activity - depreciation	72,418	72,497
(Income) loss on board designated investment fund	(148,600)	(62,107)
(Increase) decrease in accounts receivable	143,762	(68,510)
(Increase) decrease in prepaid expenses	3,618	28,719
Increase (decrease) in accrued payroll	60,731	7,083
Increase (decrease) in account payable	<u>8,056</u>	<u>(46,202)</u>
Net cash flow provided by (used in) operation	<u>116,142</u>	<u>(99,669)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(40,181)	(44,130)
Net transfers from (to) board designated investment fund	43,706	3,347
Sale of investments	95,000	157,155
Purchase of investments	<u>(76,560)</u>	<u>(169,785)</u>
Net cash (used in) investing activities	21,965	(53,413)
NET INCREASE (DECREASE) IN CASH	138,107	(153,082)
CASH - BEGINNING OF PERIOD	<u>198,352</u>	<u>351,434</u>
CASH - END OF PERIOD	<u>\$ 336,459</u>	<u>\$ 198,352</u>

See notes to financial statements

PLACES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010

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 95 clients. PLACES' PSH program provides housing and supportive services to 26 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.

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 quasi endowment 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.

8. Subsequent events:

Subsequent events have been evaluated through September 16, 2011 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, 2011 and 2010

NOTE C - LEASES

The Corporation leases its administrative offices for approximately \$38,000 per year. This office lease is a five year lease ending May 2014. The Corporation leases apartments for clients. This apartment lease expense is approximately \$180,000 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 \$82,575 and \$96,274 for the years ended June 30, 2011 and 2010. Pension expense is recognized in the year in 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. Investments are managed by Fifth Third Bank and consist of the following:

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>
Money market	\$10,602	\$18,303
Bond funds	251,088	255,464
Equity funds	<u>495,528</u>	<u>396,997</u>
Total Market Value	<u>\$757,218</u>	<u>\$670,764</u>
Total Cost Basis	<u>\$707,909</u>	<u>\$713,727</u>

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

The Corporation is the prime recipient of HUD McKinney Grants. These grants are awarded annually and renewals must be approved by HUD. The Corporation passes through approximately 70% of the grant revenue to subrecipients. These grants fund services to homeless persons with mental illness or chemical dependency.

PLACES, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2011

Program Title	Federal Agency	Pass-thru Entity	CFDA #	Federal Expenditures
MAJOR PROGRAMS :				
Supportive housing program	HUD	NA	14.235	\$ 1,423,921
NON-MAJOR PROGRAMS :				
HOME Investment Partnership Program	HUD	Montgomery County	14.239	<u>99,257</u>
Total Expenditures of Federal Awards				<u>\$ 1,523,178</u>

NOTES:

1. The schedule of expenditures of federal awards includes the federal grant activity of PLACES, Inc. and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented on this schedule may differ from amounts presented in the basic financial statements.
2. Of the federal expenditures presented in this schedule, PLACES, Inc. provided federal awards to subrecipients in the amount of \$536,974.

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To the Board of Trustees
PLACES, Inc.
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The Alcohol, Drug Addiction and Mental Health
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB A-133

Compliance

I have audited the compliance of PLACES, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance supplement that are applicable to each of its major federal programs for the year ended June 30, 2011. PLACES, Inc.'s major programs are identified in the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of PLACES, Inc.'s management. My responsibility is to express an opinion on compliance with those requirements based on my audit.

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 Governmental Auditing Standards, issued by the Comptroller General of the United States, and Office of Manpower and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Those standards and OMB A-133 require that I plan and perform the audit to obtain reasonable assurance about whether material 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. My audit does not provide legal determination on PLACES, Inc.'s compliance with those requirements.

In my opinion, PLACES, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of PLACES, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered PLACES, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine my auditing procedures for the purpose of expressing my opinion on compliance and test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, 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 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.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the use of the management of PLACES, Inc., the Alcohol, Drug Addiction and Mental Health Services Board for Montgomery County, the federal awarding agencies and the pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

John C. Harvey, CPA

October 12, 2011

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To the Board of Trustees
PLACES, Inc.
and
The Alcohol, Drug Addiction and Mental Health
Services Board for Montgomery County
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 the financial statements of PLACES, Inc. as of and for the year ended June 30, 2011, and have issued my report thereon dated October 12, 2011. I conducted my audit 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered PLACES, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether PLACES, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

This report is intended for the information of the management of PLACES, Inc. and the Alcohol, Drug Addiction and Mental Health Services Board for Montgomery County and federal awarding agencies. However, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

John C. Harvey, CPA

October 12, 2011

PLACES, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2011

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 in section 510(a) of Circular A-133	<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