



DAVISKELLY CERTIFIED  
PUBLIC  
ACCOUNTANTS

**3L PLACE, INC.**

*Financial Statements*

*Year Ended June 30, 2017 and 2016*

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**3L PLACE, INC.**

***Financial Statements***

***June 30, 2017***

***Table of Contents***

Independent Auditors' Report	1-2
<b><i>Financial Statements:</i></b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7-11
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	12-13



*Independent Auditors' Report*

To the Board of Directors of  
3L Place, Inc.  
Somerville, MA

***Report on the Financial Statements***

We have audited the accompanying financial statements of 3L Place, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, 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 3L Place, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3rd, 2017, on our consideration of 3L Place, Inc.'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of 3L Place, Inc.'s taken as a whole. The accompanying supplemental Schedules A and B of the Uniform Financial Report are presented solely for the purposes of additional analysis and are not required part of the basic financial statements. Such information is the representation of 3L Place, Inc.'s management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion on it.

*Davis Kelly LLC*

Boston, Massachusetts  
December 3, 2017

# 3L PLACE, INC.

## *Statement of Financial Position*

*As of June 30, 2017*

*(with comparative totals as of June 30, 2016)*

	<u>2017</u>	<u>2016</u>
<i>Assets</i>		
Cash and cash equivalents	\$ 167,444	\$ 274,931
Accounts receivable	15,250	116,827
Prepaid expenses	5,498	2,555
Property and equipment, net	171,420	182,670
Transition curriculum, net	<u>195,690</u>	<u>223,646</u>
<i>Total assets</i>	<u>\$ 555,302</u>	<u>\$ 800,629</u>
<i>Liabilities and net assets</i>		
<i>Liabilities:</i>		
<i>Current liabilities:</i>		
Accounts payable	\$ 665	\$ 7,531
Due to related party	81,550	81,550
Accrued expenses	-	23,407
Deferred revenues	<u>8,183</u>	<u>88,742</u>
<i>Total current liabilities</i>	<u>\$ 90,398</u>	<u>\$ 201,230</u>
<i>Net assets:</i>		
Temporarily restricted net assets	33,000	146,965
Unrestricted net assets:	<u>431,904</u>	<u>452,434</u>
<i>Total net assets</i>	<u>464,904</u>	<u>599,399</u>
<i>Total net assets and liabilities</i>	<u>\$ 555,302</u>	<u>\$ 800,629</u>

*The accompanying notes are an integral part of these financial statements.*

## 3L PLACE, INC.

### *Statement of Activities*

*For the Year Ended June 30, 2017*

*(with summarized comparative totals for the year ended June 30, 2016)*

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<b>2017 Total</b>	<b>2016 Total</b>
<i>Support and revenue</i>				
Contributions and grants	\$ 143,160	\$ 33,000	\$ 176,160	\$ 453,468
Program service fees	268,417	-	268,417	477,144
Investment revenue	71	-	71	109
Net assets released from restrictions	146,965	(146,965)	-	-
<i>Total support and revenue</i>	558,613	(113,965)	444,648	930,721
<i>Expenses:</i>				
<i>Program services</i>				
Residential services	168,543	-	168,543	472,283
Community based day services	298,971	-	298,971	183,055
Adult companion	12,341	-	12,341	16,454
<i>Total program services</i>	479,855	-	479,855	671,792
<i>Supporting Services</i>				
Management and general	79,407	-	79,407	77,030
Fundraising	19,881	-	19,881	18,287
<i>Total supporting services</i>	99,288	-	99,288	95,317
<i>Total expenses</i>	579,143	-	579,143	767,109
<i>Change in net assets</i>	(20,530)	(113,965)	(134,495)	163,612
<i>Net assets, beginning</i>	452,434	146,965	599,399	435,787
<i>Net assets, ending</i>	\$ 431,904	\$ 33,000	\$ 464,904	\$ 599,399

*The accompanying notes are an integral part of these financial statements.*

## 3L PLACE, INC.

### *Statement of Cash Flows*

*For the Year Ended June 30, 2017*

*(with comparative totals for the year ended June 30, 2016)*

	<u>2017</u>	<u>2016</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ (134,495)	\$ 163,612
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	11,250	11,520
Amortization	27,956	27,956
Changes in:		
Accounts receivable	101,577	(99,628)
Prepaid expenses	(2,943)	(1,143)
Accounts payable	(6,866)	3,163
Accrued expenses	(23,407)	5,196
Deferred revenues	(80,559)	55,617
	<u>(107,487)</u>	<u>166,293</u>
<i>Net cash provided (used in) by operating activities</i>		
	<u>(107,487)</u>	<u>166,293</u>
<i>Cash flow from investing activities:</i>		
Purchase of property and equipment	<u>-</u>	<u>(25,216)</u>
	<u>-</u>	<u>(25,216)</u>
<i>Net cash used in investing activities</i>		
	<u>-</u>	<u>(25,216)</u>
<i>Net change in cash and cash equivalents</i>	<u>(107,487)</u>	<u>141,077</u>
<i>Cash and cash equivalents, beginning</i>	<u>274,931</u>	<u>133,854</u>
<i>Cash and cash equivalents, ending</i>	<u>\$ 167,444</u>	<u>\$ 274,931</u>

**3L PLACE, INC.**

***Statement of Functional Expenses***

***For the Year Ended June 30, 2017***

*(with summarized comparative totals for the year ended June 30, 2016)*

	<u>Residential Services</u>	<u>Community Based Day Services</u>	<u>Adult Companion</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2017</u>	<u>Total 2016</u>
Employee compensation and related	\$ 110,252	\$ 184,160	\$ 12,270	\$ 38,463	\$ 19,824	\$ 364,969	\$ 477,963
Occupancy	37,072	60,004			-	97,076	137,391
Other program and operating	12,203	24,617	71		-	36,891	62,855
Administrative	-	-	-	40,944	57	41,001	49,424
Amortization	6,429	21,527	-	-	-	27,956	27,956
Depreciation	2,587	8,663	-	-	-	11,250	11,520
Total expenses	<u>\$ 168,543</u>	<u>\$ 298,971</u>	<u>\$ 12,341</u>	<u>\$ 79,407</u>	<u>\$ 19,881</u>	<u>\$ 579,143</u>	<u>\$ 767,109</u>

# 3L PLACE, INC.

## *Financial Statements*

*June 30, 2017*

### ***Note 1 - Organization***

3L Place, Inc. (the "Organization") is a Massachusetts nonprofit organization, incorporated for the purpose of empowering young adults with autism and other developmental disabilities to reach their individual potential, to follow their passion, and to live meaningful lives in the community. The Organization, located in Somerville, Massachusetts, began providing client services in September 2014.

### ***Note 2 - Summary of Significant Accounting Policies***

#### ***Basis of Accounting***

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

#### ***Financial Statement Presentation***

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Financial Statements of Not-for-Profit Organizations*. Under *Financial Statements of Not-for-Profit Organizations*, 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.

*Unrestricted Net Assets* - consist of assets, public support and program revenues, which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

*Temporarily Restricted Net Assets* - include funds with donor-imposed restrictions, which stipulate that the organization expend the assets as specified and are satisfied either by the passage of time or by actions of the organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

*Permanently Restricted Net Assets* - include resources, which have a permanent donor-imposed restriction, which stipulates that the assets are to be maintained permanently, but permit the organization to expend part or all of the income derived from the donated assets.

#### ***Use of Estimates and Assumptions***

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

# 3L PLACE, INC.

## *Financial Statements*

*June 30, 2017*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### *Cash and Cash Equivalents*

The Organization considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

#### *Accounts Receivable*

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Organization considers all accounts receivable at June 30, 2017 to be fully collectible.

#### *Property and Equipment*

Property and equipment are recorded at cost on the date of acquisition or at fair market value, if received by donation, at the time such properties are pledged or received. The Organization capitalizes major additions to property and equipment, while expenditures for maintenance and repairs are expensed as incurred. Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, which range from 3-10 years.

#### *Transition Curriculum*

The Organization has capitalized costs incurred related to the development of Transition Curriculum which are included as other asset on the Statement of Financial Position. The Transition Curriculum costs are amortized using the straight-line method over a 10-year term.

#### *Revenue Recognition*

The Organization's programs are supported by contracts with the Massachusetts Department of Developmental Services. Therefore, the Organization is subject to the regulations and rate formulas of the Commonwealth of Massachusetts Executive Office for Administration and Finance Operational Services Division ("OSD"). Revenue is recorded based upon contractual amounts agreed to by the Organization and the Massachusetts Department of Developmental Services. Revenue is recognized as earned over the period services are performed. Revenue received in advance of when earned is recorded as deferred revenue.

# 3L PLACE, INC.

## *Financial Statements*

*June 30, 2017*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### *Contributions*

Contributions are recognized at the earlier of when received or when the donor makes an unconditional promise to give to the Organization. Donor-restricted contributions are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction has been satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets.

#### *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated by various methods.

#### *Tax Status*

The Organization is qualified under Section 501 (c)(3) of the Internal Revenue Code (the "Code") as exempt from federal and state income taxes. Contributions to the Organization are tax deductible within the limitations prescribed by the Code. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

#### *Summarized Comparative Totals*

The financial statements include certain prior- year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

### *Note 4 - Cash and Cash Equivalents*

The Organization maintains its cash balance its cash balances in bank deposit accounts, which at times may exceed federally insured limits of \$250,000. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalents. As of June 30, 2017 and 2016, the cash balances were \$167,444 and \$274,931 respectively.

## 3L PLACE, INC.

### *Financial Statements*

*June 30, 2017*

#### *Note 5 - Property and Equipment*

Property and equipment consist of the following as of June 30, 2017:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 171,509	\$ 171,509
Furniture and fixtures	11,577	11,577
Vehicles	22,033	22,033
Computers and software	<u>3,887</u>	<u>3,887</u>
	209,006	209,006
Accumulated depreciation	<u>(37,586)</u>	<u>(26,336)</u>
Property and equipment, net	<u>\$ 171,420</u>	<u>\$ 182,670</u>

Depreciation expenses for the years ended June 30, 2017 and 2016 were \$11,250 and \$11,520 respectively.

#### *Note 6 – Related Party Transactions*

The Organization leases real property located at 50-52 Whitman Street in Somerville, Massachusetts from 50-52 Whitman Street, LLC, an entity owned by the Organization's Founder and President. During the year ended June 30, 2017 and 2016, the Organization paid \$and \$98,400 in rent related to this lease, respectively.

During the year ended June 30, 2016, the Organization completed improvements to this leased property. Improvements, amounting to \$166,050 were initially paid for by 50-52 Whitman Street, LLC and the Organization has been reimbursing the related party for these costs. At June 30, 2017 and 2016, the balance of this obligation is \$81,550.

#### *Note 7 - Leases*

The Organization has entered into an operating lease with a related party for a residential home located in Somerville, Massachusetts for its program services. Future minimum payments are as follows for years ending June 30, 2017 are as follows:

Year ending June 30, 2017	
2018	\$ 86,716
2019	89,318
2020	91,998
2021	91,998
Thereafter	<u>326,132</u>
	<u>\$ 686,162</u>

# 3L PLACE, INC.

## *Financial Statements*

*June 30, 2017*

### ***Note 8 - Surplus Revenue Retention***

The Commonwealth of Massachusetts promulgated in its regulations that beginning with fiscal year ending June 30, 1993, surpluses derived from Commonwealth of Massachusetts purchasing agencies are subject to certain restrictions as follows:

Commonwealth Surplus Revenue Retention information for financial statement note		
Calculation of SRR 20% Annual Limit:		
A	(67,302)	Total Surplus Attributable to Commonwealth (Schedule B_PSI Amounts)
B	140,991	Total Commonwealth Revenue Schedule B Program Amounts
C	-47.74%	SRR Percentage (A/B)
D	(67,302)	Allowed SRR Amount for Current Year (20% limit)
E		Liability on Annual SRR (annual amount exceeding 20% limit)

### ***Note 9 - Subsequent Events***

The Organization evaluated events that occurred after June 30, 2017, the date of the Statement of Financial Position, but before the date the financial statements were available to be issued, December 3, 2017, for potential recognition or disclosure in the financial statements. The Organization did not identify any subsequent events that had a material effect on the accompanying financial statements.

The Organization is currently discussing plans with the Department of Developmental Services (DDS) to transition from contracting with DDS to engaging directly with individuals and families who choose to use Self-Directed programming funds. DDS is still the source of the Self-Directed funds but individuals and families would work directly with the Organization to choose and design programming that fits their individual needs and goals. This model will provide the Organization with the greatest flexibility as it expands its menu of highly individualized day, evening and weekend programming. Likewise, it empowers individuals with disabilities and their families to control their own lives by ensuring they have authority to choose the supports they need to be successful and live a life of meaning. This model, that ensures individualization and customization for families and self-determination for individuals with developmental disabilities, is fully consistent with the mission of the Organization.



***Independent Auditors' 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***

To the Board of Directors of  
3L Place, Inc.  
Somerville, MA

We 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 3L Place, 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 our report thereon dated December 3, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 3L Place, Inc.'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 3L Place, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the 3L Place, Inc.'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.

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 3L Place, Inc.'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.

*Davis Kelly, LLC.*

Boston, Massachusetts  
December 3, 2017