



DAVISKELLY CERTIFIED  
PUBLIC  
ACCOUNTANTS

**3L PLACE, INC.**

*Financial Statements*

*Year Ended June 30, 2016 and 2015*

**3L PLACE, INC.**

***Financial Statements***

*June 30, 2016*

***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



DAVISKELLY CERTIFIED  
PUBLIC  
ACCOUNTANTS

*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, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year comparative information has been derived from 3L Place, Inc.'s 2015 financial statement, which were reviewed by other accountants, whose report dated December 14, 2015, expressed an unqualified opinion on those 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, 2016, 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.

*Davis Kelly, LLC.*

Boston, Massachusetts  
October 24, 2016

# 3L PLACE, INC.

## Statement of Financial Position

As of June 30, 2016

(with comparative totals as of June 30, 2015)

	<i>(audited)</i> 2016	<i>(reviewed)</i> 2015
<i>Assets</i>		
Cash and cash equivalents	\$ 274,931	\$ 133,854
Accounts receivable	116,827	17,199
Prepaid expenses	2,555	1,412
Property and equipment, net	182,670	168,974
Transition curriculum, net	223,646	251,602
<i>Total assets</i>	<u>\$ 800,629</u>	<u>\$ 573,041</u>
<i>Liabilities and net assets</i>		
<i>Liabilities:</i>		
<i>Current liabilities:</i>		
Accounts payable	\$ 7,531	\$ 4,368
Due to related party	81,550	81,550
Accrued expenses	23,407	18,211
Deferred revenues	88,742	33,125
<i>Total current liabilities</i>	<u>201,230</u>	<u>137,254</u>
<i>Net assets:</i>		
Temporarily restricted net assets	146,965	-
Unrestricted net assets:	452,434	435,787
<i>Total net assets</i>	<u>599,399</u>	<u>435,787</u>
<i>Total net assets and liabilities</i>	<u>\$ 800,629</u>	<u>\$ 573,041</u>

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

## 3L PLACE, INC.

### *Statement of Activities*

*For the Year Ended June 30, 2016*

*(with summarized comparative totals for the year ended June 30, 2015)*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>(audited) 2016</u>	<u>(reviewed) 2015</u>
<i>Support and revenue</i>				
Contributions and grants	\$ 306,503	\$ 146,965	\$ 453,468	\$ 250,778
Program service fees	476,894	-	476,894	220,737
Investment revenue	109	-	109	53
Other revenue	250	-	250	1,250
	<u>783,756</u>	<u>146,965</u>	<u>930,721</u>	<u>472,818</u>
 <i>Expenses:</i>				
<i>Program services</i>				
Residential services	472,283	-	472,283	359,163
Community based day services	183,055	-	183,055	139,451
Adult companion	16,454	-	16,454	10,735
	<u>671,792</u>	<u>-</u>	<u>671,792</u>	<u>509,349</u>
 <i>Supporting Services</i>				
Management and general	77,030	-	77,030	81,096
Fundraising	18,287	-	18,287	17,475
	<u>95,317</u>	<u>-</u>	<u>95,317</u>	<u>98,571</u>
	<u>767,109</u>	<u>-</u>	<u>767,109</u>	<u>607,920</u>
 <i>Change in net assets</i>	 16,647	 146,965	 163,612	 (135,102)
 <i>Net assets, beginning</i>	 <u>435,787</u>	 <u>-</u>	 <u>435,787</u>	 <u>570,889</u>
 <i>Net assets, ending</i>	 <u>\$ 452,434</u>	 <u>\$ 146,965</u>	 <u>\$ 599,399</u>	 <u>\$ 435,787</u>

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

# 3L PLACE, INC.

## Statement of Cash Flows

For the Year Ended June 30, 2016

(with comparative totals for the year ended June 30, 2015)

	<i>(audited)</i> <u>2016</u>	<i>(reviewed)</i> <u>2015</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 163,612	\$ (135,102)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	11,520	14,341
Amortization	27,956	27,956
Changes in:		
Accounts receivable	(99,628)	(17,199)
Prepaid expenses	(1,143)	(1,412)
Related party activity, net	-	(69,780)
Accounts payable	3,163	(8,078)
Accrued expenses	5,196	15,016
Deferred revenues	55,617	33,125
<i>Net cash provided (used in) by operating activities</i>	<u>166,293</u>	<u>(141,133)</u>
<i>Cash flow from investing activities:</i>		
Purchase of property and equipment	<u>(25,216)</u>	<u>(15,070)</u>
<i>Net cash used in investing activities</i>	<u>(25,216)</u>	<u>(15,070)</u>
<i>Net change in cash and cash equivalents</i>	<u>141,077</u>	<u>(156,203)</u>
<i>Cash and cash equivalents, beginning</i>	<u>133,854</u>	<u>290,057</u>
<i>Cash and cash equivalents, ending</i>	<u>\$ 274,931</u>	<u>\$ 133,854</u>

**3L PLACE, INC.**

***Statement of Functional Expenses***

***For the Year Ended June 30, 2016***

*(with summarized comparative totals for the year ended June 30, 2015)*

		<i>Residential Services</i>		<i>Community Based Day Services</i>		<i>Adult Companion</i>		<i>Management and General</i>		<i>Fundraising</i>		<i>(audited) Total 2016</i>		<i>(reviewed) Total 2015</i>
	\$		\$		\$		\$		\$		\$		\$	
Employee compensation and related	\$	309,301	\$	106,240	\$	16,406	\$	27,729	\$	18,287	\$	477,963	\$	354,955
Occupancy		93,173		44,218		-		-		-		137,391		106,197
Other program and operating		41,892		20,646		48		269		-		62,855		55,734
Administrative		284		108		-		49,032		-		49,424		48,231
Other expenses		19,569		8,387		-		-		-		27,956		28,462
Depreciation		8,064		3,456		-		-		-		11,520		14,341
<b>Total expenses</b>	<b>\$</b>	<b>472,283</b>	<b>\$</b>	<b>183,055</b>	<b>\$</b>	<b>16,454</b>	<b>\$</b>	<b>77,030</b>	<b>\$</b>	<b>18,287</b>	<b>\$</b>	<b>767,109</b>	<b>\$</b>	<b>607,920</b>

# 3L PLACE, INC.

## *Notes to Financial Statements*

*June 30, 2016 and 2015*

### ***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.

## *Notes to Financial Statements*

*June 30, 2016 and 2015*

### *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, 2016 to be fully collectible.

#### *Fair Value Measurements*

The Organization applies the provisions of accounting principles generally accepted in the United States of America for fair value measurements of financial assets and financial liabilities, and for fair value measurements of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis. These provisions define fair value as the price that would be received in selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The provisions also establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Application of these provisions has not resulted in any change in the measurement of the carrying value of the Organization's financial assets or liabilities.

#### *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.

#### *Donated Services*

The value of donated services is not reflected in the accompanying financial statements since there is no objective basis available to measure the value of such services. However, a substantial number of volunteers have donated significant time to the Organization in various capacities.

# 3L PLACE, INC.

## *Notes to Financial Statements*

*June 30, 2016 and 2015*

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

#### ***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.

#### ***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. The Organization believes they are no longer subject to income tax examinations for years prior to 2012.

#### ***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, 2015, from which the summarized information was derived.

## 3L PLACE, INC.

### *Notes to Financial Statements*

*June 30, 2016 and 2015*

#### *Note 3 – Contingencies / Concentration of Risk*

The Organization maintains cash balances at a financial institution. Balances at the financial institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per depositor.

#### *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, 2016 and 2015, the cash balances were \$274,931 and \$133,854, respectively.

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

Property and equipment consist of the following as of June 30

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 171,509	\$ 171,509
Furniture and fixtures	11,577	8,394
Vehicles	22,033	-
Computers and softwares	<u>3,887</u>	<u>3,887</u>
	209,006	183,790
Accumulated depreciation	<u>(26,336)</u>	<u>(14,816)</u>
Property and equipment, net	<u>\$ 182,670</u>	<u>\$ 168,974</u>

Depreciation expenses for the years ended June 30, 2016 and 2015 were \$11,520 and \$14,341, 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, 2016 and 2015, the Organization paid \$98,400 and \$79,164 in rent related to this lease, respectively.

During the year ended June 30, 2015, 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, 2016 and 2015, the balance of this obligation is \$81,550.

# 3L PLACE, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

### 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 are as follows:

2017	\$	84,190
2018		86,716
2019		89,318
Thereafter		<u>510,128</u>
	\$	<u>770,352</u>

### 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 5% Annual Limit:	
A	<u>(269,608)</u> Total Surplus Attributable to Commonwealth (Schedule B_PSI Amounts)
B	<u>294,802</u> Total Commonwealth Revenue Schedule B Program Amounts
C	<u>-91.45%</u> SRR Percentage( A/B)
D	<u>(269,608)</u> Allowed SRR Amount for Current Year (5% limit)
E	<u></u> Liability on Annual SRR (annual amount exceeding 5% limit)
Calculation of SRR 20% Accumulated Limit:	
F	<u></u> Starting SRR Balance from cell I72 *
G	<u></u> Authorized Expenditures of SRR Balance (F) *
H	<u></u> Accumulated SRR balance adjusted for audit period expenditures(F-G) *
I	<u>(269,608)</u> Allowed SRR Accrual Amount for Current Year ( D ) *
J	<u>(269,608)</u> Accumulated SRR balance (H+I) *
K	<u>134,475</u> Prior Year's Comm. of Mass. Revenue
L	<u>26,895</u> SRR Policy 20% Accumulated balance limit (20% of K)

### Note 9 - Subsequent Events

The Organization evaluated events that occurred after June 30, 2016, the date of the Statement of Financial Position, but before the date the financial statements were available to be issued, October 24, 2016, 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. At the beginning of the FY 2017, The Organization initiated a plan to change its mix of service programming from residential and day transition programs to exclusively day transition programs. In the short term, this is producing some revenue and cost reduction, but in the long term, The Organization believes this change will result in expanded, sustainable service programming and financial growth.