

PEOPLE PLACES, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2017

People Places, Inc.

Board of Directors

Kristina Blakely
Chair

Charlie Rogers
Vice-Chair

Brandon Tankesley
Treasurer

Erin Garcia
Secretary

Rebecca Simmons
Director

Linda Currence
Director

Executive Director

Nancy Strang, LCSW

PEOPLE PLACES, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
People Places, Inc.

We have audited the accompanying financial statements of People Places, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 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 upon 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 of 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 organization'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 organization'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 People Places, Inc. as of December 31, 2017, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Didawick & Company, P.C.

April 30, 2018

BASIC FINANCIAL STATEMENTS

PEOPLE PLACES, INC.
Statement of Financial Position
At December 31, 2017

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,693,317
Accounts receivable	791,080
Inventories	3,125
Prepaid expenses	7,058
Other current assets	<u>35,497</u>
Total current assets	<u>2,530,077</u>

Property and equipment: (Note 1)

Land	689,386
Buildings	1,135,988
Furniture and equipment	108,580
Computers and software	53,722
Vehicles	80,748
Less accumulated depreciation	<u>(722,032)</u>
Net property and equipment	<u>1,346,392</u>

Investments (Note 1)	<u>2,809,885</u>
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Total assets	<u>\$ 6,686,354</u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	184,509
Credit card payable	3,235
Accrued wages and payroll taxes payable	146,281
Compensated absences	195,605
Other liabilities	<u>2,146</u>

Total liabilities	<u>531,776</u>
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Net assets:

Unrestricted	6,134,792
Temporarily restricted	<u>19,786</u>

Total net assets	<u>6,154,578</u>
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Total liabilities and net assets	<u>\$ 6,686,354</u>
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The accompanying notes are an integral part of these financial statements.

PEOPLE PLACES, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
State and local government fees	\$ 6,635,752	\$ -	\$ 6,635,752
Contributions	11,657	1,000	12,657
Dividends and interest income	38,510	-	38,510
Realized gain (loss)	191,561	-	191,561
Unrealized gain (loss)	(17,995)	-	(17,995)
Other income	12,007	-	12,007
	<u>6,871,492</u>	<u>1,000</u>	<u>6,872,492</u>
Total revenues, gains, and other support			
EXPENSES:			
Program services	5,141,439	-	5,141,439
General and administration	1,540,681	-	1,540,681
	<u>6,682,120</u>	<u>-</u>	<u>6,682,120</u>
Total expenses			
Change in net assets	189,372	1,000	190,372
Net assets, beginning of year	5,945,420	18,786	5,964,206
Net assets, end of year	<u>\$ 6,134,792</u>	<u>\$ 19,786</u>	<u>\$ 6,154,578</u>

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

PEOPLE PLACES, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	General and Administration	Total
Salaries and wages	\$ 2,466,004	\$ 689,066	\$ 3,155,070
Employee benefits	509,319	171,120	680,439
Payroll taxes	<u>182,782</u>	<u>68,193</u>	<u>250,975</u>
Total personnel costs	<u>3,158,105</u>	<u>928,379</u>	<u>4,086,484</u>
Contractual fees and contingent pay	1,582,466	101,402	1,683,868
Building Occupancy	17,821	225,024	242,845
Travel and Vehicle Costs	132,001	23,901	155,902
Specific Client Assistance	115,148	-	115,148
Other Expenses	-	84,189	84,189
Advertising	67,285	1,733	69,018
Equipment Costs	9,201	58,107	67,308
Staff/Teaching Parent Development	33,310	30,881	64,191
Communications	18,355	37,923	56,278
Depreciation	-	49,142	49,142
Bad Debt Expense	<u>7,747</u>	<u>-</u>	<u>7,747</u>
Total other operating expenses	<u>1,983,334</u>	<u>612,302</u>	<u>2,595,636</u>
Total operating expenses	<u>\$ 5,141,439</u>	<u>\$ 1,540,681</u>	<u>\$ 6,682,120</u>

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

PEOPLE PLACES, INC.
Statement of Cash Flows
For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 190,372
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	49,142
(Increase) decrease in accounts receivable	(25,508)
(Increase) decrease in inventory	(1,690)
(Increase) decrease in other assets	(35,497)
Increase (decrease) in accounts payable	2,986
Increase (decrease) in wages payable	60,885
Increase (decrease) in compensated absences	15,488
Realized (gains) losses	(191,561)
Unrealized/realized (gains) losses	17,995
Dividends reinvested	(36,006)
Investment fees	<u>26,234</u>
Net cash provided by operating activities	<u>72,840</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of investments	1,538,121
Reinvested portfolio earnings	(1,520,168)
Purchase of equipment	<u>(32,136)</u>
Net cash used by investing activities	<u>(14,183)</u>
Net decrease in cash	58,657
Cash and cash equivalents, beginning of year	<u>1,634,660</u>
Cash and cash equivalents, end of year	<u>\$ 1,693,317</u>

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

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Business Activity

People Places, Inc. (the Organization) operates treatment foster care, special education and family support programs, and receives fees from purchase of service contracts with Departments of Social Services throughout the Commonwealth of Virginia. Treatment foster care consultation services are provided to Social Service and Mental Health Agencies throughout the country. The Organization maintains facilities in Harrisonburg, Staunton, and Charlottesville, Virginia.

B. Financial Statement Presentation

For the year ended December 31, 2017 the Organization has prepared its financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, 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 – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At December 31, 2017, the Organization had temporarily restricted net assets totaling \$19,786.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. At December 31, 2017, Organization had no permanently restricted net assets.

C. Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues are recognized when earned and expenses are recognized when incurred.

(notes continued on next page)

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. In-Kind Contributions

Contributions in the form of property and equipment are recorded as support and expense or capital additions at fair market value at the date of donation. Equipment values are capitalized and depreciated over their useful lives. Values of donated materials are recorded as expenses in the year contributed. No value is recorded for contributed services.

E. Property and Equipment

Property and equipment is recorded at cost or fair value at the date of gift, if contributed. Costs of maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line basis over the following estimated useful lives.

Buildings and Improvements	7-40 years
Furniture and Equipment	3-10 years

F. Income Taxes

The Organization is exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under §509(a) of the Internal Revenue Code. Accordingly, no provision has been made for income tax in the financial statements. Generally federal, state and local authorities may examine the Organization's tax returns for three years from the date of filing or the due date of the return and the current and prior three years remain subject to examination as of December 31, 2017.

G. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. No accounts have been deemed uncollectible at December 31, 2017.

H. Cash and Equivalents

The Organization considers highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

(notes continued on next page)

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Investments

Investments are recorded at fair market value as of the balance sheet date. From time to time, the Organization temporarily holds cash balances in its investment accounts for the purposes of future investment. These amounts are not intended for use in operations and are intended for the purchase of investments. As of 12/31/17, cash balances held for reinvestment and included in the amounts shown below totaled \$592,956. Total amounts held as investments at December 31, 2017 consisted of the following:

	Fair Market Value
Securities America	\$ 2,304,001
Meeder Asset Management	<u>505,884</u>
Total	\$ <u>2,809,885</u>

J. Use of Estimates

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

K. Inventory

Inventories consist of consultation and training materials and are stated at the lower of cost or market determined using the first in first out method.

L. Advertising

The Organization uses advertising to promote its programs and to solicit teaching parents. The costs of advertising are expensed as incurred. During 2017, advertising costs totaled \$69,018.

M. Allocated Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Certain costs have been allocated among the functions.

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2017

2. EMPLOYEE RETIREMENT PLAN

The Organization contributes to a retirement plan covering all of its full-time employees. Annual contributions are at the discretion of the Board of Directors and allocated equally among eligible employees. In 2017, \$128,919 was contributed to the plan.

3. LINE OF CREDIT

The Organization has a \$100,000 revolving line of credit with Union First Market Bank. The line of credit was unsecured and expired December 30, 2017. As of December 31, 2017 there were no outstanding obligations related to the line of credit.

4. COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacation, paid personal days, and sick leave depending on length of service and other factors. Employees have accumulated vacation days that may be used in subsequent accounting periods or for payment upon termination of employment. As of December 31, 2017, accrued compensated absences totaled \$195,605.

5. CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances in several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2017 the Organization's uninsured cash balance totaled \$1,171,285. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to these balances.

6. HEALTH INSURANCE AND HEALTH REIMBURSEMENT ARRANGEMENT

Active Employees – The Organization provides health insurance and maintains a health reimbursement arrangement plan for active, full time employees and their spouses and dependents who are enrolled in the group health insurance plan. The Organization provides reimbursement of qualified medical expenses after a \$100 deductible has been met for the employee-only plans, \$250 for an employee + 1 (spouse or dependent), and \$500 for employee + family or employee + 2 or more dependents. The maximum reimbursement in any calendar year is equal to \$2,900 for a single employee, \$4,750 for an employee + 1 (spouse or dependent) plan, and \$4,500 for an employee + family or employee + 2 or more dependents plan. Plan expenses for active employees totaled \$482,764.

Retired Employees – The Organization maintains a health reimbursement arrangement for qualified retired employees. The plan provides for reimbursement of Medicare Part B and Medicare Supplement or equivalent not to exceed \$350 per month. Retirees must have the equivalent of 20 years of service and retired after the age of 59½ years. Benefits are payable under the plan upon the retiree attaining age 65. All reimbursements must be requested within six months of the end of the plan year or by June 30 of the year following. In 2017 plan expenses for retirees totaled \$21,603.

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2017

6. HEALTH INSURANCE AND HEALTH REIMBURSEMENT ARRANGEMENT (continued)

Self-Funded insurance – The Organization's self-insured health insurance plan is covered by an insurance carrier and limits its exposure to a maximum of \$35,000 per-participant, and limits its aggregate exposure based on the number of plan enrollees to \$335,760. Net claims expense to the Organization was \$227,807 for the year ended December 31, 2017.

7. FAIR VALUE MEASUREMENTS

The Organization applies generally accepted accounting principles for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Investments in this category include equity securities that are not actively traded.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair values measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2017 are as follows:

Fair Value Measurements at December 31, 2017		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Long-term investments	\$ 2,216,929	\$ 2,216,929
Total	<u>\$ 2,216,929</u>	<u>\$ 2,216,929</u>

Fair Value Measurements at December 31, 2016		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Long-term investments	\$ 2,643,413	\$ 2,643,413
Total	<u>\$ 2,643,413</u>	<u>\$ 2,643,413</u>

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2017

7. FAIR VALUE MEASUREMENTS (continued)

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels during the year ended December 31, 2017.

Long-term investments are reported at fair value on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions. Management believes the fair value option provides accurate values for their investments.

8. RELATED PARTY TRANSACTIONS

The organization purchased supplies totaling \$20,888 from Shawn Fitzgerald, an employee of the organization.

9. SUBSEQUENT EVENTS

The Organization did not have any subsequent events requiring recordation or disclosure in the financial statements of April 30, 2018, which is the date the financial statements were available to be issued.