

**PEOPLE PLACES, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**People Places, Inc.**

**Board of Directors**

Kristina Blakely  
Chair

Charlie Rogers  
Vice-Chair

Brandon Tankesley  
Treasurer

Erin Garcia  
Secretary

Rebecca Simmons  
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, 2018, 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, 2018, 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.

### Change in Accounting Principle

The Organization has adopted the financial statement presentation standards contained in the Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, modifying ASC 958. The effect of the change in accounting principle is described in Note 10. Our opinion is not modified with respect to this matter.

*Didawick & Company, P.C.*

April 26, 2019

## **BASIC FINANCIAL STATEMENTS**

**PEOPLE PLACES, INC.**  
**Statement of Financial Position**  
**At December 31, 2018**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 2,391,687
Accounts receivable	1,000,609
Inventories	4,911
Prepaid expenses	18,546
Other current assets	<u>87,152</u>
Total current assets	<u>3,502,905</u>
Property and equipment: (Note 1)	
Land	689,386
Buildings	1,135,988
Furniture and equipment	69,425
Computers and software	51,923
Vehicles	86,226
Less accumulated depreciation	<u>(719,446)</u>
Net property and equipment	<u>1,313,502</u>
Investments (Note 1)	<u>2,278,096</u>
Total assets	<u>\$ 7,094,503</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:	
Accounts payable	\$ 199,157
Credit card payable	4,594
Accrued wages and payroll taxes payable	124,319
Compensated absences	<u>168,486</u>
Total liabilities	<u>496,556</u>
Net assets:	
Without donor restrictions	6,584,606
With donor restrictions	<u>13,341</u>
Total net assets	<u>6,597,947</u>
Total liabilities and net assets	<u>\$ 7,094,503</u>

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, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT:</b>			
State and local government fees	\$ 7,269,042	\$ -	\$ 7,269,042
Contributions	19,611	-	19,611
Dividends and interest income	11,481	-	11,481
Unrealized gain (loss)	(118,296)	-	(118,296)
Other income	258	-	258
Net assets released from restrictions:			
Restrictions satisfied for music activities	457	(457)	-
Restrictions satisfied for coaching activities	3,492	(3,492)	-
Restrictions satisfied for purchase of school supplies	518	(518)	-
Restrictions satisfied for purchase of therapy supplies	<u>1,978</u>	<u>(1,978)</u>	<u>-</u>
Total revenues, gains, and other support	<u>7,188,541</u>	<u>(6,445)</u>	<u>7,182,096</u>
<b>EXPENSES:</b>			
Program services:			
Foster care	3,272,056	-	3,272,056
Special education	509,206	-	509,206
Counseling	460,017	-	460,017
Other programs	949,484	-	949,484
Supporting services:			
General and administration	<u>1,547,964</u>	<u>-</u>	<u>1,547,964</u>
Total expenses	<u>6,738,727</u>	<u>-</u>	<u>6,738,727</u>
Change in net assets	449,814	(6,445)	443,369
Net assets, beginning of year	<u>6,134,792</u>	<u>19,786</u>	<u>6,154,578</u>
Net assets, end of year	<u>\$ 6,584,606</u>	<u>\$ 13,341</u>	<u>\$ 6,597,947</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, 2018**

	<b>Program Services</b>				<b>Supporting Services</b>	<b>Total</b>
	<b>Foster Care</b>	<b>Special Education</b>	<b>Counseling</b>	<b>Other Programs</b>	<b>General and Administration</b>	
Salaries and wages	\$ 1,162,651	\$ 369,014	\$ 320,530	\$ 560,017	\$ 689,332	\$ 3,101,544
Employee benefits	221,086	100,396	55,215	147,855	186,037	710,589
Payroll taxes	85,654	27,349	24,517	42,007	68,272	247,799
Total personnel costs	<u>1,469,391</u>	<u>496,759</u>	<u>400,262</u>	<u>749,879</u>	<u>943,641</u>	<u>4,059,932</u>
Contractual fees and contingent pay	1,619,730	1,548	-	95,767	102,086	1,819,131
Building occupancy	363	2,425	357	15,738	233,110	251,992
Travel and vehicle costs	50,818	2,308	46,292	27,088	17,574	144,080
Specific client assistance	70,676	2,980	9,231	7,042	-	89,929
Other expenses	7	103	-	1,415	50,115	51,640
Advertising	49,198	415	1,076	2,461	1,992	55,141
Equipment costs	237	1,018	78	6,524	74,894	82,751
Staff/teaching parent development	2,651	666	311	32,064	39,608	75,300
Communications	4,356	985	1,483	11,505	36,554	54,883
Depreciation	-	-	-	-	48,390	48,390
Bad debt expense	4,630	-	928	-	-	5,558
Total other operating expenses	<u>1,802,665</u>	<u>12,447</u>	<u>59,755</u>	<u>199,605</u>	<u>604,323</u>	<u>2,678,795</u>
Total operating expenses	<u>\$ 3,272,056</u>	<u>\$ 509,206</u>	<u>\$ 460,017</u>	<u>\$ 949,484</u>	<u>\$ 1,547,964</u>	<u>\$ 6,738,727</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, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ 443,369
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	48,390
(Increase) decrease in accounts receivable	(209,529)
(Increase) decrease in inventory	(1,786)
(Increase) decrease in prepaid expense	(11,488)
(Increase) decrease in other assets	(51,655)
Increase (decrease) in accounts payable	16,007
Increase (decrease) in wages payable	(21,962)
Increase (decrease) in compensated absences	(27,119)
Increase (decrease) in other liabilities	(2,146)
Unrealized/realized (gains) losses	118,296
Dividends reinvested	(39,429)
Investment fees	<u>29,666</u>
Net cash provided by operating activities	<u>290,614</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Withdrawal of investment funds	400,225
Reinvested portfolio earnings	23,031
Purchase of equipment	<u>(15,500)</u>
Net cash provided by investing activities	<u>407,756</u>
Net increase in cash	698,370
Cash and cash equivalents, beginning of year	<u>1,693,317</u>
Cash and cash equivalents, end of year	<u>\$ 2,391,687</u>

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

**PEOPLE PLACES, INC.**  
Notes to the Financial Statements  
December 31, 2018

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, 2018 the Organization has prepared its financial statements in accordance with generally accepted accounting principles for nonprofit organizations. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations. At December 31, 2018, the Organization had net assets without donor restrictions totaling \$6,584,606.

With donor restrictions – Net assets subject to donor-imposed stipulations that may be temporary or permanent in nature. When a restriction that is temporary in nature expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. At December 31, 2018, the Organization had net assets with donor restrictions totaling \$13,341.

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.

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.

**PEOPLE PLACES, INC.**  
Notes to the Financial Statements  
December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018.

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, 2018.

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.

I. 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.

J. Prepaid Expenses

Prepaid expenses consist of amounts paid in advance for good or services not received as of year-end. As of December 31, 2018, prepaid expenses totaled \$18,546 for insurance.

**PEOPLE PLACES, INC.**  
Notes to the Financial Statements  
December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. 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 December 31, 2018, cash balances held for reinvestment and included in the amounts shown below totaled \$523,319. Total amounts held as investments at December 31, 2018 consisted of the following:

	Fair Market Value
Securities America	\$ 2,278,096
Total	\$ 2,278,096

L. 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.

M. Advertising

The Organization uses advertising to promote its programs and to solicit teaching parents. The costs of advertising are expensed as incurred. During 2018, advertising costs totaled \$55,141.

N. 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.

2. EMPLOYEE RETIREMENT PLAN

The Organization contributes to a retirement plan covering all full-time employees. Annual contributions are at the discretion of the Board of Directors and allocated equally among eligible employees. For the year ended December 31, 2018, the Organization contributed \$131,342 to the plan.

**PEOPLE PLACES, INC.**  
Notes to the Financial Statements  
December 31, 2018

3. 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, 2018, accrued compensated absences totaled \$168,486.

4. 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, 2018 the Organization's uninsured cash balance totaled \$1,629,986. 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.

5. 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. In 2018 plan expenses for active employees totaled \$481,455.

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 2018 plan expenses for retirees totaled \$25,321.

6. SELF FUNDED HEALTH 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 \$275,734 for the year ended December 31, 2018.

**PEOPLE PLACES, INC.**  
Notes to the Financial Statements  
December 31, 2018

## 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, 2018 are as follows:

	Fair Value Measurements at December 31, 2018	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Long-term investments	\$ 1,754,777	\$ 1,754,777
Total	\$ 1,754,777	\$ 1,754,777

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, 2018.

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. LIQUIDITY MANAGEMENT

People Places, Inc. has \$3,421,822 of financial assets available within one year of the date of the statement of financial position to meet cash needs for general expenditure, consisting of cash of \$2,391,687, and accounts receivable of \$1,030,135. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of the statement of financial position.

**PEOPLE PLACES, INC.**  
Notes to the Financial Statements  
December 31, 2018

8. LIQUIDITY MANAGEMENT (continued)

The Organization has a goal to maintain financial assets, which consist of cash and accounts receivable, on hand to meet three (3) months of normal operating expenses net of pass-through payments depreciation, and bad debt expense, which on average approximate \$1,216,412. People Places, Inc. has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

9. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are available for the following purposes:

Subject to expenditure for specified purpose:	
Support of music activities	\$ 4,848
Support of coaching activities	7,910
Purchase of school supplies	583
Total	<u>\$ 13,341</u>

10. CHANGE IN ACCOUNTING PRINCIPLE

The Organization adopted the financial statement presentation and disclosure standards contained in the Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, modifying ASC 958. The effect of the new standard is to combine temporarily and permanently restricted net assets. The change in accounting principle has been applied effective December 31, 2017 with no effect on total net assets as of December 31, 2017. The effect of the change on 2018 is as follows:

	As Originally Stated	Restated	As Restated
Unrestricted net assets, December 31, 2017	<u>\$ 6,134,792</u>	<u>\$ (6,134,792)</u>	<u>\$ -</u>
Net assets without donor restrictions, December 31, 2017	<u>\$ -</u>	<u>\$ 6,134,792</u>	<u>\$ 6,134,792</u>
Temporarily restricted net assets, December 31, 2017	<u>\$ 19,786</u>	<u>\$ (19,786)</u>	<u>\$ -</u>
Net assets with donor restrictions, December 31, 2017	<u>\$ -</u>	<u>\$ 19,786</u>	<u>\$ 19,786</u>

11. SUBSEQUENT EVENTS

The Organization did not have any subsequent events requiring recordation or disclosure in the financial statements of April 26, 2019, which is the date the financial statements were available to be issued.