

**PEOPLE PLACES, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

## **People Places, Inc.**

### **Board of Directors**

Erin Garcia  
Chair

Charlie Rogers  
Vice-Chair

Brandon Tankesley  
Treasurer

Rebecca Simmons  
Secretary

Laura Desportes  
Director

### **Executive Director**

Nancy Strang, LCSW

# PEOPLE PLACES, INC.

## TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Basic Financial Statements</b>	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11

## **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, 2019, 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, 2019, 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.

### **Emphasis of Matter**

We draw attention to Note 10 to the financial statements which describes the effects of the coronavirus (COVID-19) pandemic on the organization which occurred subsequent to December 31, 2019. Our opinion is not modified with respect to this matter.

*Didawick & Company, P.C.*

April 27, 2020

## **BASIC FINANCIAL STATEMENTS**

**PEOPLE PLACES, INC.**  
Statement of Financial Position  
At December 31, 2019

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 3,227,582
Accounts receivable	780,710
Inventories	5,746
Prepaid expenses	20,642
Other current assets	<u>153,900</u>
Total current assets	<u>4,188,580</u>

Property and equipment: (Note 1)

Land	689,386
Buildings	1,119,318
Furniture and equipment	68,976
Computers and software	51,923
Vehicles	104,024
Construction in progress	76,390
Less accumulated depreciation	<u>(749,538)</u>
Net property and equipment	<u>1,360,479</u>

Investments (Note 1)	<u>2,581,214</u>
----------------------	------------------

Total assets	<u><u>\$ 8,130,273</u></u>
--------------	----------------------------

**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable	\$ 207,877
Credit card payable	3,608
Accrued wages and payroll taxes payable	103,059
Compensated absences	<u>186,990</u>

Total liabilities	<u>501,534</u>
-------------------	----------------

Net assets:

Without donor restrictions	7,616,100
With donor restrictions	<u>12,639</u>

Total net assets	<u>7,628,739</u>
------------------	------------------

Total liabilities and net assets	<u><u>\$ 8,130,273</u></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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT:</b>			
State and local government fees	\$ 7,287,690	\$ -	\$ 7,287,690
Contributions	16,908	-	16,908
Net investment income (Note 1)	332,261	-	332,261
Loss on disposal of assets	(5,974)	-	(5,974)
Other income	1,087	-	1,087
Net assets released from restrictions:			
Restrictions satisfied for music activities	584	(584)	-
Restrictions satisfied for purchase of school supplies	118	(118)	-
	<u>7,632,674</u>	<u>(702)</u>	<u>7,631,972</u>
Total revenues, gains, and other support			
<b>EXPENSES:</b>			
Program services:			
Foster care	3,946,103	-	3,946,103
Special education	570,959	-	570,959
Mentoring	191,389	-	191,389
Other programs	291,624	-	291,624
Supporting services:			
General and administration	1,601,105	-	1,601,105
	<u>6,601,180</u>	<u>-</u>	<u>6,601,180</u>
Total expenses			
Change in net assets	1,031,494	(702)	1,030,792
Net assets, beginning of year	6,584,606	13,341	6,597,947
Net assets, end of year	<u>\$ 7,616,100</u>	<u>\$ 12,639</u>	<u>\$ 7,628,739</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, 2019

	<b>Program Services</b>				<b>Supporting Services</b>	
	<b>Foster Care</b>	<b>Special Education</b>	<b>Mentoring</b>	<b>Other Programs</b>	<b>General and Administration</b>	<b>Total</b>
Salaries and wages	\$ 1,494,426	\$ 426,675	\$ 136,795	\$ 208,555	\$ 670,263	\$ 2,936,714
Employee benefits	277,699	94,637	10,010	27,910	234,740	644,996
Payroll taxes	110,130	31,657	10,458	14,990	66,172	233,407
Total personnel costs	<u>1,882,255</u>	<u>552,969</u>	<u>157,263</u>	<u>251,455</u>	<u>971,175</u>	<u>3,815,117</u>
Contractual fees and contingent pay	1,809,166	1,610	-	-	142,005	1,952,781
Building occupancy	5,149	1,187	-	4,970	205,770	217,076
Travel and vehicle costs	63,914	3,443	26,907	14,112	22,640	131,016
Specific client assistance	60,389	2,540	3,095	11,473	-	77,497
Other expenses	892	-	4	-	45,482	46,378
Advertising	70,676	15	525	1,267	360	72,843
Equipment costs	2,425	5,576	231	874	76,403	85,509
Staff/teaching parent development	37,586	3,002	2,508	3,267	55,781	102,144
Communications	11,910	617	851	2,409	33,786	49,573
Depreciation	-	-	-	-	47,703	47,703
Bad debt expense	1,741	-	5	1,797	-	3,543
Total other operating expenses	<u>2,063,848</u>	<u>17,990</u>	<u>34,126</u>	<u>40,169</u>	<u>629,930</u>	<u>2,786,063</u>
Total operating expenses	<u>\$ 3,946,103</u>	<u>\$ 570,959</u>	<u>\$ 191,389</u>	<u>\$ 291,624</u>	<u>\$ 1,601,105</u>	<u>\$ 6,601,180</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, 2019

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ 1,030,792
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	47,703
(Increase) decrease in accounts receivable	219,899
(Increase) decrease in inventory	(835)
(Increase) decrease in prepaid expense	(2,096)
(Increase) decrease in other assets	(66,748)
Increase (decrease) in accounts payable	7,734
Increase (decrease) in wages payable	(21,260)
Increase (decrease) in compensated absences	18,504
Realized (gains) losses on asset disposals	5,974
Realized (gains) losses on investments	(33,609)
Unrealized/realized (gains) losses	(264,234)
Dividends and interest reinvested	(58,534)
Investment withdrawals for HRA expenses	27,430
Investment fees	<u>25,829</u>
Net cash provided by operating activities	<u>936,549</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of equipment	<u>(100,654)</u>
Net cash provided by investing activities	<u>(100,654)</u>
Net increase in cash	835,895
Cash and cash equivalents, beginning of year	<u>2,391,687</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,227,582</u></u>

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

**PEOPLE PLACES, INC.**  
Notes to the Financial Statements  
December 31, 2019

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, 2019 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, 2019, the Organization had net assets without donor restrictions totaling \$7,616,100.

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, 2019, the Organization had net assets with donor restrictions totaling \$12,639.

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, 2019

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, 2019.

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, 2019.

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, 2019, prepaid expenses totaled \$20,642 for insurance.

**PEOPLE PLACES, INC.**  
Notes to the Financial Statements  
December 31, 2019

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, 2019, cash balances held for reinvestment and included in the amounts shown below totaled \$110,905. Total amounts held as investments at December 31, 2019 consisted of the following:

	Fair Market Value
Securities of America	\$ 2,581,214
Total	<u>\$ 2,581,214</u>

Investment income for the year ended December 31, 2019 consisted of the following:

Interest and dividends	\$ 60,247
Realized gains	33,609
Unrealized gains	264,234
Investment expenses	<u>(25,829)</u>
Total	<u>\$ 332,261</u>

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 2019, advertising costs totaled \$72,844.

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.

**PEOPLE PLACES, INC.**  
Notes to the Financial Statements  
December 31, 2019

**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, 2019, the Organization contributed \$139,399 to the plan.

**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, 2019, accrued compensated absences totaled \$186,990.

**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, 2019 the Organization's uninsured cash balance totaled \$2,689,942. 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 2019 plan expenses for active employees totaled \$401,663.

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 2019 plan expenses for retirees totaled \$31,832.

**PEOPLE PLACES, INC.**  
Notes to the Financial Statements  
December 31, 2019

**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 \$233,713 for the year ended December 31, 2019.

**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, 2019 are as follows:

	Fair Value Measurements at December 31, 2019	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Cash and cash equivalents	\$ 110,905	\$ 110,905
Mutual funds	2,189,071	2,189,071
Exchange traded products	281,238	281,238
Total	<u>\$ 2,581,214</u>	<u>\$ 2,581,214</u>

**PEOPLE PLACES, INC.**  
Notes to the Financial Statements  
December 31, 2019

**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, 2019.

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 \$4,008,292 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 \$3,227,582, and accounts receivable of \$780,710. 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.

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 \$1,149,288. 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**

Donors will occasionally place restrictions on how contributions may be expended. At December 31, 2019, net assets with donor restrictions are available for the following purposes:

Subject to expenditure for specified purpose:	
Support of music activities	\$ 4,264
Support of coaching activities	7,910
Purchase of school supplies	465
Total	<u>\$ 12,639</u>

**10. SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization pronounced the coronavirus (COVID-19) outbreak a pandemic. Citizens and the economies of the United States and other countries have been significantly impacted by the pandemic. The duration and total impact are unknown, but so far have been expansive. People Places, Inc. has begun to face, and may continue to face, operational hardships related to the pandemic. As of the date of these financial statements above-mentioned effects of the pandemic do not rise to a level that would create substantial doubt regarding the Organization's ability to continue as a going concern.