

PEOPLE PLACES, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2020

People Places, Inc.

Board of Directors

Erin Garcia
Chair

Charlie Rogers
Vice-Chair

Brandon Tankesley
Treasurer

Laura Desportes
Secretary

Rebecca Simmons
Director

Executive Director

Nancy Strang, LCSW

PEOPLE PLACES, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements	
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	6-12

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, 2020, 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, 2020, 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 9 to the financial statements which describes the effects of the coronavirus (COVID-19) pandemic on the organization. Our opinion is not modified with respect of this matter.

Didawick & Company, P.C.

April 23, 2021

BASIC FINANCIAL STATEMENTS

PEOPLE PLACES, INC.
Statement of Financial Position
At December 31, 2020

ASSETS

Current assets:

Cash and cash equivalents	\$ 2,528,371
Accounts receivable	909,767
Inventories	4,434
Prepaid expenses	49,138
Other current assets	<u>66,477</u>
Total current assets	<u>3,558,187</u>

Property and equipment: (Note 1)

Land	1,031,799
Buildings	1,727,210
Furniture and equipment	68,976
Computers and software	51,923
Vehicles	104,024
Less accumulated depreciation	<u>(814,306)</u>
Net property and equipment	<u>2,169,626</u>

Investments (Note 1)	<u>2,741,577</u>
----------------------	------------------

Total assets	<u>\$ 8,469,390</u>
--------------	---------------------

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 178,171
Accrued wages and payroll taxes payable	128,618
Compensated absences	<u>178,692</u>
Total liabilities	<u>485,481</u>

Net assets:

Without donor restrictions	7,973,024
With donor restrictions	<u>10,885</u>

Total net assets	<u>7,983,909</u>
------------------	------------------

Total liabilities and net assets	<u>\$ 8,469,390</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
State and local government fees	\$ 6,304,711	\$ -	\$ 6,304,711
Contributions	15,770	3,866	19,636
Net investment income (Note 1)	199,799	-	199,799
Other income	241	-	241
Net assets released from restrictions:			
Restrictions satisfied for music activities	1,803	(1,803)	-
Restrictions satisfied for coaching activities	3,635	(3,635)	-
Restrictions satisfied for mentor expenses	182	(182)	-
	<u>6,526,141</u>	<u>(1,754)</u>	<u>6,524,387</u>
Total revenues, gains, and other support			
EXPENSES:			
Program services:			
Foster care	3,997,220	-	3,997,220
Special education	483,546	-	483,546
Mentoring	136,737	-	136,737
Other programs	204,007	-	204,007
Supporting services:			
General and administration	1,347,707	-	1,347,707
	<u>6,169,217</u>	<u>-</u>	<u>6,169,217</u>
Total expenses			
Change in net assets	356,924	(1,754)	355,170
Net assets, beginning of year	7,616,100	12,639	7,628,739
Net assets, end of year	<u>\$ 7,973,024</u>	<u>\$ 10,885</u>	<u>\$ 7,983,909</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, 2020

	Program Services				Supporting Services	
	Foster Care	Special Education	Mentoring	Other Programs	General and Administration	Total
Salaries and wages	\$ 1,608,762	\$ 345,785	\$ 104,615	\$ 135,874	\$ 726,729	\$ 2,921,765
Employee benefits	487,225	41,578	6,201	43,300	167,814	746,118
Payroll taxes	75,311	21,932	8,983	10,394	10,472	127,092
Total personnel costs	<u>2,171,298</u>	<u>409,295</u>	<u>119,799</u>	<u>189,568</u>	<u>905,015</u>	<u>3,794,975</u>
Contractual fees and contingent pay	1,611,657	2,139	-	-	14,214	1,628,010
Building occupancy	5,040	32,763	12	-	169,145	206,960
Travel and vehicle costs	35,152	1,654	12,454	3,696	14,555	67,511
Specific client assistance	57,714	437	2,030	4,199	-	64,380
Other expenses	2,509	4,498	-	-	50,652	57,659
Advertising	77,647	2,822	89	-	961	81,519
Equipment costs	1,191	24,373	506	-	69,370	95,440
Staff/teaching parent development	22,191	3,378	822	-	31,666	58,057
Communications	12,726	2,187	1,017	5,624	26,924	48,478
Depreciation	-	-	-	-	65,205	65,205
Bad debt expense	95	-	8	920	-	1,023
Total other operating expenses	<u>1,825,922</u>	<u>74,251</u>	<u>16,938</u>	<u>14,439</u>	<u>442,692</u>	<u>2,374,242</u>
Total operating expenses	<u>\$ 3,997,220</u>	<u>\$ 483,546</u>	<u>\$ 136,737</u>	<u>\$ 204,007</u>	<u>\$ 1,347,707</u>	<u>\$ 6,169,217</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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 355,170
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation	65,205
(Increase) decrease in accounts receivable	(129,057)
(Increase) decrease in inventory	1,312
(Increase) decrease in prepaid expense	(28,496)
(Increase) decrease in other assets	87,423
Increase (decrease) in accounts payable	(33,314)
Increase (decrease) in wages and taxes payable	25,559
Increase (decrease) in compensated absences	(8,298)
Net investment income, reinvested	(198,070)
Investment withdrawals for HRA expenses	<u>37,707</u>
Net cash provided by (used for) operating activities	<u>175,141</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Construction of new office building	<u>(874,352)</u>
Net cash provided by (used for) investing activities	<u>(874,352)</u>
Net increase (decrease) in cash	(699,211)
Cash and cash equivalents, beginning of year	<u>3,227,582</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,528,371</u></u>

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

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2020

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, 2020 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, 2020, the Organization had net assets without donor restrictions totaling \$7,973,024.

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, 2020, the Organization had net assets with donor restrictions totaling \$10,885.

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, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Property and Equipment

People Places, Inc. capitalizes all real and personal property acquired with an original cost exceeding \$5,000 and useful life greater than one year. Property and equipment are recorded at cost when purchase or fair value at the date of gift, if contributed. Costs of maintenance and repairs are charged to expense as incurred. Depreciation expense for the year ended December 31, 2020 totaled \$65,205 and 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, 2020.

G. Accounts Receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. No accounts have been deemed uncollectible at December 31, 2020.

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 goods or services not received as of year-end. As of December 31, 2020, prepaid expenses totaled \$49,139 for insurance.

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2020

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, 2020, cash balances held for reinvestment and included in the amounts shown below totaled \$85,676. Total amounts held as investments at December 31, 2020 consisted of the following:

	Fair Market Value
Securities of America	\$ 2,741,577
Total	<u>\$ 2,741,577</u>

Investment income for the year ended December 31, 2020 consisted of the following:

Interest and dividends	\$ 46,618
Realized gains	9,573
Unrealized gains	166,195
Investment expenses	<u>(22,587)</u>
Total	<u>\$ 199,799</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 2020, advertising costs totaled \$81,519.

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. Allocations are based on employee time spend in each functional area and the purpose of the expenses incurred.

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2020

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, 2020, the Organization contributed \$103,952 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 accumulate vacation days that may be used in subsequent accounting periods or for payment upon termination of employment. As of December 31, 2020, the value of accrued compensated absences totaled \$178,692.

4. CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances in several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2020 the Organization's uninsured cash balance totaled \$2,045,106. 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 2020 plan expenses for active employees totaled \$542,074.

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 2020 plan expenses for retirees totaled \$34,912.

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2020

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 \$360,688 for the year ended December 31, 2020.

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, 2020 are as follows:

	Fair Value Measurements at December 31, 2020	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Cash and cash equivalents	\$ 85,676	\$ 85,676
Mutual funds	2,381,866	2,381,866
Exchange traded products	274,035	274,035
Total	<u>\$ 2,741,577</u>	<u>\$ 2,741,577</u>

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2020

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, 2020.

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 \$3,438,138 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 \$2,528,371, and accounts receivable of \$909,767. Of these amounts, \$10,885 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 \$1,120,000. 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. RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which People Places, Inc. operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Organization.

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2020

10. RESTRICTIONS ON NET ASSETS

Donors will occasionally place restrictions on how contributions may be expended by the Organization. At December 31, 2020, net assets with donor restrictions are available for the following purposes:

Subject to expenditure for specified purpose:	
Support of music activities	\$ 2,461
Support of coaching activities	4,275
Purchase of school supplies	465
Mentor expenses for mentees	518
Specific client needs fund	3,166
Total	<u>\$ 10,885</u>

11. SUBSEQUENT EVENTS

The Organization did not have any subsequent events requiring recordation or disclosure in the financial statements as of April 23, 2021, which is the date the financial statements were available to be issued.