

PEOPLE PLACES, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of People Places, Inc.

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. 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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of People Places, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about People Places, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 People Places, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about People Places, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 28, 2022

BASIC FINANCIAL STATEMENTS

PEOPLE PLACES, INC.
Statement of Financial Position
At December 31, 2021

ASSETS

Current assets:

Cash and cash equivalents	\$ 2,526,589
Accounts receivable	810,253
Inventories	2,719
Prepaid expenses	62,380
Other current assets	<u>229,220</u>
Total current assets	<u>3,631,161</u>

Property and equipment: (Note 1)

Land	689,386
Buildings and improvements	2,069,623
Furniture and equipment	68,301
Computers and software	51,923
Vehicles	104,024
Less accumulated depreciation	<u>(897,699)</u>
Net property and equipment	<u>2,085,558</u>

Investments (Note 1)	<u>2,941,935</u>
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Total assets	<u>\$ 8,658,654</u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 133,827
Accrued wages and payroll taxes payable	92,751
Compensated absences	<u>161,518</u>

Total liabilities	<u>388,096</u>
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Net assets:

Without donor restrictions	8,262,006
With donor restrictions	<u>8,552</u>

Total net assets	<u>8,270,558</u>
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Total liabilities and net assets	<u>\$ 8,658,654</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
State and local government fees	\$ 5,930,491	\$ -	\$ 5,930,491
Contributions	12,482	2,710	15,192
Net investment income (Note 1)	231,727	-	231,727
Other income	894	-	894
Net assets released from restrictions:	-		
Restrictions satisfied for music activities	1,768	(1,768)	-
Restrictions satisfied for coaching activities	982	(982)	-
Restrictions satisfied for client needs	1,910	(1,910)	-
Restrictions satisfied for school supply	353	(353)	-
Restrictions satisfied for mentor expenses	30	(30)	-
	<u>6,180,637</u>	<u>(2,333)</u>	<u>6,178,304</u>
Total revenues, gains, and other support			
EXPENSES:			
Program services:			
Foster care	3,355,092	-	3,355,092
Special education	429,284	-	429,284
Mentoring	228,708	-	228,708
Other programs	197,785	-	197,785
Supporting services:			
General and administration	<u>1,680,786</u>	<u>-</u>	<u>1,680,786</u>
Total expenses	<u>5,891,655</u>	<u>-</u>	<u>5,891,655</u>
Change in net assets	288,982	(2,333)	286,649
Net assets, beginning of year	<u>7,973,024</u>	<u>10,885</u>	<u>7,983,909</u>
Net assets, end of year	<u>\$ 8,262,006</u>	<u>\$ 8,552</u>	<u>\$ 8,270,558</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, 2021

	Program Services				Supporting Services	
	Foster Care	Special Education	Community Based	Other Programs	General and Administration	Total
Salaries and wages	\$ 1,451,671	\$ 351,372	\$ 170,432	\$ 136,426	\$ 735,819	\$ 2,845,720
Employee benefits	320,858	43,157	24,162	15,170	253,704	657,051
Payroll taxes	95,699	16,358	13,527	9,379	47,986	182,949
Total personnel costs	<u>1,868,228</u>	<u>410,887</u>	<u>208,121</u>	<u>160,975</u>	<u>1,037,509</u>	<u>3,685,720</u>
Contractual fees and contingent pay	1,318,907	-	138	-	25,330	1,344,375
Building occupancy	5,120	-	5,120	-	186,622	196,862
Travel and vehicle costs	33,966	190	10,653	21,033	11,838	77,680
Specific client assistance	96,422	205	-	11,863	3,501	111,991
Other expenses	-	-	-	-	75,055	75,055
Advertising	2,126	891	1,144	1,288	88,473	93,922
Equipment costs	2,069	10,602	26	58	78,250	91,005
Staff/teaching parent development	16,560	5,438	538	1,526	64,074	88,136
Communications	10,300	1,071	2,392	942	26,066	40,771
Depreciation	-	-	-	-	84,068	84,068
Bad debt expense	1,394	-	576	100	-	2,070
Total other operating expenses	<u>1,486,864</u>	<u>18,397</u>	<u>20,587</u>	<u>36,810</u>	<u>643,277</u>	<u>2,205,935</u>
Total operating expenses	<u>\$ 3,355,092</u>	<u>\$ 429,284</u>	<u>\$ 228,708</u>	<u>\$ 197,785</u>	<u>\$ 1,680,786</u>	<u>\$ 5,891,655</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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 286,649
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation	84,068
(Increase) decrease in accounts receivable	99,514
(Increase) decrease in inventory	1,715
(Increase) decrease in prepaid expense	(13,242)
(Increase) decrease in other assets	(162,743)
Increase (decrease) in accounts payable	(44,344)
Increase (decrease) in wages and taxes payable	(35,867)
Increase (decrease) in compensated absences	(17,174)
Net investment income, reinvested	(230,933)
Investment withdrawals for HRA expenses	<u>30,575</u>
Net cash provided by (used for) operating activities	<u>(1,782)</u>
Net increase (decrease) in cash	(1,782)
Cash and cash equivalents, beginning of year	<u>2,528,371</u>
Cash and cash equivalents, end of year	<u>\$ 2,526,589</u>

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

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2021

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. The Organization maintains facilities in Harrisonburg, Staunton, and Charlottesville, Virginia.

B. Financial Statement Presentation

For the year ended December 31, 2021, 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, 2021, the Organization had net assets without donor restrictions totaling \$8,262,006.

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, 2021, the Organization had net assets with donor restrictions totaling \$8,552.

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, 2021

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, 2021 totaled \$84,068. 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, 2021.

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, 2021.

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, 2021, prepaid expenses totaled \$62,380 for insurance.

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2021

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 \$63,211. Total amounts held as investments at December 31, 2021 consisted of the following:

	Fair Market Value
Securities of America	\$ 2,941,935
Total	<u>\$ 2,941,935</u>

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

Interest and dividends	\$ 39,594
Realized gains	128,830
Unrealized gains	89,077
Investment expenses	<u>(25,774)</u>
Total	<u>\$ 231,727</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 2021, advertising costs totaled \$93,922.

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, 2021

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, 2021, the Organization contributed \$112,315 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, 2021, the value of accrued compensated absences totaled \$161,518.

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, 2021 the Organization's uninsured cash balance totaled \$2,267,526. 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 2021 plan expenses for active employees totaled \$439,349.

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 2021 plan expenses for retirees totaled \$33,303.

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2021

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 \$40,000 per-participant, and limits its aggregate exposure based on the number of plan enrollees to \$335,760. Net claims expense to the Organization was \$243,171 for the year ended December 31, 2021.

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, 2021 are as follows:

Fair Value Measurements at December 31, 2021		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Cash and cash equivalents	\$ 63,211	\$ 63,211
Mutual funds	2,749,892	2,749,892
Exchange traded products	128,832	128,832
Total	<u>\$ 2,941,935</u>	<u>\$ 2,941,935</u>

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2021

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, 2021.

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 \$3,336,842 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 \$2,526,589 and accounts receivable of \$810,253. Of these amounts, \$8,552 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 \$1,116,000. 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, 2021

10. RESTRICTIONS ON NET ASSETS

Donors will occasionally place restrictions on how contributions may be expended by the Organization. At December 31, 2021, net assets with donor restrictions are available for the following purposes:

Subject to expenditure for specified purpose:	
Support of music activities	\$ 693
Support of coaching activities	3,293
Purchase of school activities	112
Mentor expenses for mentees	488
Specific client needs fund	2,546
Client summer camp	420
Student education	1,000
Total	<u>\$ 8,552</u>

11. SUBSEQUENT EVENTS

The Organization did not have any subsequent events requiring recordation or disclosure in the financial statements as of April 28, 2022, which is the date the financial statements were available to be issued.