

PEOPLE PLACES, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2023

People Places, Inc.

Board of Directors

Laura Desportes
Chair

Charlie Rogers
Vice-Chair

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Erin Garcia
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Director

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Director

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Laura Flint

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, 2023, 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, 2023, 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.

Didawick & Company, P.C.

April 30, 2024

BASIC FINANCIAL STATEMENTS

PEOPLE PLACES, INC.
Statement of Financial Position
At December 31, 2023

ASSETS

Current assets:	
Cash and cash equivalents	1,652,270
Accounts receivable	894,528
Prepaid expenses	98,243
Other current assets	375,874
Annuity receivable	<u>127,930</u>
Total current assets	<u>3,148,845</u>
Property and equipment: (Note 1)	
Land	982,474
Buildings	1,660,462
Furniture and equipment	68,301
Computers and software	65,573
Vehicles	86,392
Less accumulated depreciation	<u>(916,850)</u>
Net property and equipment	<u>1,946,351</u>
Annuity receivable, net of current portion	471,208
Investments (Note 1)	<u>2,448,636</u>
Total assets	<u>8,015,041</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	156,278
Accrued wages and payroll taxes payable	98,269
Compensated absences	169,741
Retirement Contribution payable	<u>97,500</u>
Total Current Liabilities	<u>521,787</u>
Retiree HRA Liability	<u>362,740</u>
Total liabilities	<u>884,527</u>
Net assets:	
Without donor restrictions (as restated, note 5)	7,126,889
With donor restrictions	<u>3,625</u>
Total net assets	<u>7,130,514</u>
Total liabilities and net assets	<u>8,015,041</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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
State and local government fees	\$ 5,184,254	\$ -	\$ 5,184,254
Contributions	15,054	4,008	19,062
Net investment income (Note 1)	375,668	-	375,668
Gain on sale of asset	903	-	903
Other income	1,500	-	1,500
Restrictions satisfied for donated gift cards	380	(380)	-
Restrictions satisfied for coaching activities	-	-	-
Restrictions satisfied for client needs	999	(999)	-
Restrictions satisfied for mentor expenses	85	(85)	-
Restrictions satisfied for Santa Train	3,850	(3,850)	-
Total revenues, gains, and other support	<u>5,582,694</u>	<u>(1,307)</u>	<u>5,581,387</u>
EXPENSES:			
Program services:			
Foster care	2,988,479	-	2,988,479
Community Based	384,573	-	384,573
Other programs	273,873	-	273,873
Supporting services:			
General and administration	<u>1,943,174</u>	<u>-</u>	<u>1,943,174</u>
Total expenses	<u>5,590,099</u>	<u>-</u>	<u>5,590,099</u>
Change in net assets from continuing operations	(7,405)	(1,307)	(8,712)
Change in net assets from from discontinued program (note O)	(82,709)	-	(82,709)
Total change in net assets	(90,114)	(1,307)	(91,421)
Net assets, beginning of year (as restated, note 5)	<u>7,217,003</u>	<u>4,932</u>	<u>7,221,935</u>
Net assets, end of year	<u>\$ 7,126,889</u>	<u>\$ 3,625</u>	<u>\$ 7,130,514</u>

PEOPLE PLACES, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Services				Supporting Services	Total
	Foster Care	Special Education	Community Based	Other Programs	General and Administration	
Salaries and wages	\$ 1,312,073	\$ 470,623	\$ 292,638	\$ 193,683	\$ 925,124	\$ 3,194,141
Employee benefits	245,288	95,477	35,556	21,993	\$ 278,768	677,082
Payroll taxes	<u>97,916</u>	<u>35,674</u>	<u>21,632</u>	<u>14,754</u>	\$ 69,831	<u>239,807</u>
Total personnel costs	<u>1,655,277</u>	<u>601,774</u>	<u>349,825</u>	<u>230,430</u>	<u>\$ 1,273,724</u>	<u>4,111,030</u>
Contractual fees and contingent pay	1,157,561	1,224	-		\$ 250	1,159,035
Building occupancy		29,294	75		\$ 199,172	228,541
Travel and vehicle costs	48,199	89	23,566	28,954	\$ 16,216	117,024
Specific client assistance	75,655	22,305	15	6,041	\$ 3,839	107,855
Other expenses	561	1,650	10	57	\$ 130,256	132,534
Advertising	2,520		265	123	\$ 81,969	84,877
Equipment costs	568	18,176	1,057	1,291	\$ 92,021	113,113
Staff/teaching parent development	35,650	16,314	3,512	4,581	\$ 40,773	100,830
Communications	10,172	3,600	3,208	1,694	\$ 29,094	47,768
Depreciation					\$ 75,859	75,859
Bad debt expense	2,316.00	<u>4,813</u>	<u>3,040</u>	<u>702</u>		10,871
Total other operating expenses	<u>1,333,202</u>	<u>97,465</u>	<u>34,748</u>	<u>43,443</u>	<u>669,450</u>	<u>2,178,308</u>
Total operating expenses	<u>\$ 2,988,479</u>	<u>\$ 699,239</u>	<u>\$ 384,573</u>	<u>\$ 273,873</u>	<u>\$ 1,943,174</u>	<u>\$ 6,289,338</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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	(91,421)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation	75,859
(Increase) decrease in accounts receivable	(57,489)
(Increase) decrease in inventory	5,948
(Increase) decrease in prepaid expense	(7,262)
(Increase) decrease in other current assets	(343,710)
(Increase) decrease in annuity receivables	(599,135)
Increase (decrease) in accounts payable	(6,188)
Increase (decrease) in wages and taxes payable	(4,650)
Increase (decrease) in compensated absences	7,636
Increase (decrease) in retirement plan payable	97,500
Net investment income, reinvested	(375,668)
Gain from sale of assets	(903)
Net cash provided by (used for) operating activities	<u>(1,299,483)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Withdrawal of investment funds	368,670
Proceeds from the sale of fixed assets	903
Purchase of fixed assets	<u>(67,145)</u>
Net cash provided by (used for) investing activities	302,428

Net increase (decrease) in cash (997,055)

Cash and cash equivalents, beginning of year 2,649,325

Cash and cash equivalents, end of year 1,652,270

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2023

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, 2023 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, 2023, the Organization had net assets without donor restrictions totaling \$7,126,889.

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, 2023, the Organization had net assets with donor restrictions totaling \$3,625.

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. Revenue Recognition

The organization has adopted the provisions of FASB ASC 606. All revenues are billed after services have been provided and are complete. Revenue is recognized in the period which it is earned and accordingly receivables related to these revenues are recorded only when the Organization has an unconditional and noncancellable right to receive payment for services provided.

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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.

F. 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, 2023 totaled \$75,859. 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

G. 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, 2023.

H. 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, 2023.

I. 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.

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2023, prepaid expenses totaled \$98,243 for insurance.

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, 2023, cash balances held for reinvestment and included in the amounts shown below totaled \$134,712. Total amounts held as investments at December 31, 2023 consisted of the following:

	Fair Market Value
LPL Financial	\$ 2,448,636
Total	<u>\$ 2,448,636</u>

Investment income for the year ended December 31, 2023 consisted of the following:

Interest and dividends	\$ 74,011
Realized losses	(140,096)
Unrealized gains	459,353
Investment expenses	(17,600)
Total	<u>\$ 375,668</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 2023, advertising costs totaled \$84,877.

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2023

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.

O. Discontinued Program

During 2023 the Organization adopted and implemented plans to discontinue its Pygmalion school. The school was closed effective December 15, 2023. Changes in the education landscape during and post-COVID, staffing challenges, facility changes, and a low census created insurmountable barriers to the continued operation of Pygmalion school.

As a result, the Organization's special education programs have been reclassified to discontinued operations. The 2023 results of the Pygmalion school have been presented as "Discontinued Operations" in the Statement of Activities.

During 2023, the Pygmalion school generated revenues of \$616,530 and incurred expenses of \$699,239 for a net decrease in net assets of \$82,709.

1. 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, 2023, the Organization contributed \$97,500 to the plan.

2. ANNUITY CONTRACTS

During 2023 the Organization purchased two annuity contracts with Massachusetts Mutual Insurance. Each contract provides 60 months of payments with an effective interest rate of 3.6%.

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, 2023, the value of accrued compensated absences totaled \$169,741.

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2023

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, 2023, the Organization's uninsured cash balance totaled \$1,505,369. 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 2023 plan expenses for active employees totaled \$446,600.

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 2023 plan expenses for retirees totaled \$43,478. During 2023, a liability totaling \$362,740 was recorded to reflect the Organization's obligation to retirees. Beginning net assets were also restated to reflect this liability.

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 \$255,278. Net claims expense to the Organization was \$197,309 for the year ended December 31, 2023.

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

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2023

7. FAIR VALUE MEASUREMENTS (continued)

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, 2023 are as follows:

	Fair Value Measurements at December 31, 2023	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Cash and cash equivalents	\$ 134,712	\$ 134,712
Mutual funds		
Exchange traded products	\$2,313,924	\$2,313,924
Total	\$2,448,636	\$2,448,636

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, 2023.

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 \$3,148,845 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 \$1,652,270 and accounts receivable of \$894,528. Of these amounts, \$3,625 are

PEOPLE PLACES, INC.
Notes to the Financial Statements
December 31, 2023

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 \$1,260,893. 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 by the Organization. At December 31, 2023, net assets with donor restrictions are available for the following purposes:

Subject to expenditure for specified purpose:

Support of coaching activities	2,193
Mentor expenses for mentees	385
Specific client needs fund	1,047
Total	3,625

10. SUBSEQUENT EVENTS

The Organization did not have any subsequent events requiring recordation or disclosure in the financial statements as of April 30, 2024, which is the date the financial statements were available to be issued.