

Peter Paul Development Center, Inc.

FINANCIAL REPORT

JUNE 30, 2018

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6 - 12

**PILC &
MOSELEY, LLC**

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Peter Paul Development Center, Inc.
Richmond, Virginia

We have audited the accompanying financial statements of the Peter Paul Development Center, Inc., which comprise the statements of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on 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 entity'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 entity's 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 reasonable 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 the Peter Paul Development Center, Inc. as of June 30, 2018, 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.

Pilc & Moseley, LLC

Richmond, Virginia
January 11, 2019

FINANCIAL STATEMENTS

PETER PAUL DEVELOPMENT CENTER, INC.

Statement of Financial Position

June 30, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 2,458,197
Pledges receivable - endowment (net of allowance of \$9,500)	14,500
Pledges receivable - capital campaign (net of allowance of \$13,113)	179,069
Pledges receivable - operations	94,454
Other current assets	8,589
Total current assets	<u>2,754,809</u>

PROPERTY AND EQUIPMENT

Land	323,006
Buildings	3,316,882
Furniture and equipment	370,366
Vehicles	266,918
	<u>4,277,172</u>
Less accumulated depreciation	1,071,745
Total property and equipment	<u>3,205,427</u>

OTHER ASSETS

Restricted cash	134,602
Pledges receivable less current portion - endowment	13,116
Pledges receivable less current portion - capital campaign	65,602
Total other assets	<u>213,320</u>
Total assets	<u>\$ 6,173,556</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 29,249
Accrued expenses	21,927
Current maturities of long-term debt	11,008
Total current liabilities	<u>62,184</u>

OTHER LIABILITIES

Long-term debt net of current maturities	313,097
Total liabilities	<u>375,281</u>

NET ASSETS

Unrestricted	4,746,551
Board designated	435,551
Total unrestricted net assets	<u>5,182,102</u>
Temporarily restricted	453,955
Permanently restricted	162,218
Total net assets	<u>5,798,275</u>
Total liabilities and net assets	<u>\$ 6,173,556</u>

See accompanying notes and independent auditor's report.

PETER PAUL DEVELOPMENT CENTER, INC.

Statement of Activities
For the Year ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES				
Contributions	\$ 724,541	\$ 1,217,475	\$ (4,172)	\$ 1,937,844
Program income	20,207	-	-	20,207
Special events	50,331	-	-	50,331
Interest income	5,102	-	10,950	16,052
Rental income	18,106	-	-	18,106
Licensing revenue	16,000	-	-	16,000
Net assets released from restrictions	<u>1,935,663</u>	<u>(1,935,663)</u>	-	-
Total support and revenues	<u>2,769,950</u>	<u>(718,188)</u>	<u>6,778</u>	<u>2,058,540</u>
EXPENSES				
Functional expenses:				
Program services	1,626,042	-	-	1,626,042
Management and general	247,130	-	-	247,130
Fund raising	<u>207,325</u>	-	-	<u>207,325</u>
Total functional expenses	<u>2,080,497</u>	<u>-</u>	<u>-</u>	<u>2,080,497</u>
CHANGE IN NET ASSETS	689,453	(718,188)	6,778	(21,957)
NET ASSETS				
Beginning	<u>4,492,649</u>	<u>1,172,143</u>	<u>155,440</u>	<u>5,820,232</u>
Ending	<u>\$ 5,182,102</u>	<u>\$ 453,955</u>	<u>\$ 162,218</u>	<u>\$ 5,798,275</u>

See accompanying notes and independent auditor's report.

PETER PAUL DEVELOPMENT CENTER, INC.

Statement of Cash Flows

For the Year ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (21,957)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	135,443
Permanently restricted gifts	(4,557)
Changes in assets and liabilities:	
Pledges receivable	713,765
Other current assets	(73)
Accounts payable	25,586
Accrued expenses	<u>(694)</u>
Net cash provided by operating activities	<u>847,513</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	<u>(155,156)</u>
Net cash used in investing activities	<u>(155,156)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Permanently restricted gifts	4,557
Principal payments on long-term debt	<u>(85,249)</u>
Net cash used in financing activities	<u>(80,692)</u>
Net increase in cash and cash equivalents	<u>611,665</u>

Beginning	<u>1,846,532</u>
Ending	<u>\$ 2,458,197</u>

SUPPLEMENTAL CASH FLOW DISCLOSURES

Cash paid for interest	<u>\$ 12,526</u>
------------------------	------------------

See accompanying notes and independent auditor's report.

PETER PAUL DEVELOPMENT CENTER, INC.

Statement of Functional Expenses

For the Year ended June 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Personnel costs	\$ 1,265,858	\$ 101,151	\$ 111,907	\$ 1,478,916
Bank service charges	-	1,956	-	1,956
Insurance	25,666	1,697	-	27,363
Interest	10,029	1,238	1,115	12,382
Miscellaneous	1,323	209	-	1,532
Occupancy	28,867	9,967	-	38,834
Office supplies	2,169	4,032	204	6,405
Postage and delivery	484	597	379	1,460
Printing and copying	8,751	2,560	-	11,311
Professional fees	3,584	58,114	24,000	85,698
Repairs and maintenance	18,379	5,522	-	23,901
Security	1,080	636	-	1,716
Special events	-	-	55,224	55,224
Specific assistance	7,479	-	-	7,479
Supplies	121,137	-	-	121,137
Taxes	5,493	1,917	-	7,410
Telephone	10,545	1,302	-	11,847
Training and conferences	17,989	1,475	952	20,416
Transportation	29,487	580	-	30,067
Depreciation and amortization	<u>67,722</u>	<u>54,177</u>	<u>13,544</u>	<u>135,443</u>
Total functional expenses	<u>\$ 1,626,042</u>	<u>\$ 247,130</u>	<u>\$ 207,325</u>	<u>\$ 2,080,497</u>

See accompanying notes and independent auditor's report.

PETER PAUL DEVELOPMENT CENTER, INC.

Notes to Financial Statements

June 30, 2018

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Peter Paul Development Center, Inc. is a tax-exempt not-for-profit organization. The Center's primary purpose is to provide educational and charitable assistance for youth, seniors and other members of the inner city community in Richmond, Virginia. The Center depends on donations provided by local public support for substantially all revenues.

Basis of Accounting

The Center has prepared its financial statements in accordance with generally accepted accounting principles under the accrual basis of accounting. The accrual basis of accounting records revenue in the period in which earned rather than when received and records expenses in the period in which incurred rather than paid.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided for by the straight-line method using estimated useful lives of five years for automobiles and three to seven years for equipment. Buildings in service are depreciated by the straight-line method over a useful life of 39 years. No depreciation has been recorded on abandoned buildings.

Depreciation expense for the year ended June 30, 2018 was \$135,443.

Expenditures for maintenance, repairs and minor improvements are expensed in the year incurred.

Land is recorded in these financial statements totaling \$101,383 on which the deed of trust is held by an unrelated non-stock corporation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Center considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents.

(Continued)

PETER PAUL DEVELOPMENT CENTER, INC.

Notes to Financial Statements

June 30, 2018

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Income Taxes

The Center is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income taxes were required to be provided for in the accompanying financial statements.

The Center follows Financial Accounting Standards Board ("FASB") guidance for how uncertain tax positions should be recognized, measured, and disclosed and presented in the financial statements. Management evaluated the Center's tax position and concluded that the Center had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Center is no longer subject to examination by tax authorities for periods before 2014. The Center is not currently under audit by any tax jurisdiction.

Promises to Give

Contributions are promises to give to the Center that are, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires or is otherwise satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Classification of Net Assets

Net assets are classified as unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets may be used at the discretion of the board of directors. Temporarily restricted assets are those assets in which donors have required that the resources be used in supporting a particular activity, invested for a specified term, expended for a specified future period, or used for acquisition of long-term assets.

Unrestricted net assets include \$435,551 set aside by the Board of Directors for youth education.

Temporarily restricted net assets as of June 30, 2018 consist of the following:

Summer Promise	\$ 62,410
Capital One STEM	26,374
Community College scholarships	1,271
Math curriculum – Acoustic Architecture	2,000
Garden project	2,775
Staff salaries	20,000
Time restricted pledges	<u>339,125</u>
	<u>\$ 453,955</u>

Permanently restricted net assets as of June 30, 2018 total \$162,218. This balance consists of an endowment held as cash in the amount of \$134,602 and a pledge receivable for the same endowment in the amount of \$27,616 due in installments through June 30, 2021.

PETER PAUL DEVELOPMENT CENTER, INC.

Notes to Financial Statements

June 30, 2018

(Continued)

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

(Concluded)

Donated Services, Materials and Equipment

Donated materials and equipment are reflected as contributions in the financial statements at fair market value, if determinable, and are also reported in the various expense and asset categories. Donated goods and services for which a fair market value is not determinable are not reflected in the financial statements. A substantial number of volunteers have made significant contributions of their time to develop the Center's programs. The value of these donated services is not reflected in the financial statements since no objective basis is available to measure the value of such services.

Concentration of Credit Risk

The Center's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents. Occasionally, the Center maintains cash equivalents in excess of federally insured limits. The Center's cash and cash equivalents are in institutions whose credit ratings are monitored by the Center. This policy limits exposure to concentrations of credit risk. As of June 30, 2018, the Center's financial instrument balances in excess of the federally insured limits totaled \$1,428,096.

Subsequent Events

Subsequent events were evaluated through January 11, 2018, which is the date the financial statements were available to be issued.

NOTE 2. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Center's significant financial instruments are cash and pledges receivable, and other short-term assets and liabilities. For these financial instruments, carrying value approximates fair value.

PETER PAUL DEVELOPMENT CENTER, INC.

Notes to Financial Statements

June 30, 2018

NOTE 3. LONG-TERM DEBT

Long-term debt as of June 30, 2018 consists of the following:

Note payable dated April 8, 2015 in the principal amount of \$350,000 with a Virginia non-stock corporation maturing December 31, 2024. The note is unsecured, bearing interest at 3.5% with payments of \$1,848 due monthly. This note was subsequently paid off on November 19, 2018.

\$ 324,105

Less current maturities

11,008

Total long-term debt

\$ 313,097

Aggregate maturities required on principal are as follows:

June 30, 2019

\$ 11,008

June 30, 2020

11,400

June 30, 2021

11,805

June 30, 2022

12,225

June 30, 2023

12,660

Thereafter

265,007

\$ 324,105

PETER PAUL DEVELOPMENT CENTER, INC.

Notes to Financial Statements

June 30, 2018

NOTE 5. PLEDGES RECEIVABLE

Pledges receivable – endowment at June 30, 2018 are as follows:

Unconditional promises to give	\$ 38,000
Less uncollectible allowance	9,500
Less unamortized discount	<u>884</u>
Net pledges receivable - endowment	<u>\$ 27,616</u>

The pledges receivable – endowment are due as follows:

Within one year	\$ 14,500
Years two through three	<u>13,116</u>
Net pledges receivable - endowment	<u>\$ 27,616</u>

Pledges receivable – capital campaign at June 30, 2018 are as follows:

Unconditional promises to give	\$ 262,250
Less uncollectible allowance	13,113
Less unamortized discount	<u>4,466</u>
Net pledges receivable – capital campaign	<u>\$ 244,671</u>

The pledges receivable – capital campaign are due as follows:

Within one year	\$ 179,069
Years two through three	<u>65,602</u>
Net pledges receivable – capital campaign	<u>\$ 244,671</u>

Pledges receivable – operations at June 30, 2018 are as follows:

Unconditional promises to give	<u>\$ 94,453</u>
Net pledges receivable - operations	<u>\$ 94,453</u>

All pledges receivable – operations are expected to be collected within one year.

PETER PAUL DEVELOPMENT CENTER, INC.

Notes to Financial Statements

June 30, 2018

NOTE 6. DONOR-DESIGNATED ENDOWMENTS (UPMIFA STATE) AFTER IMPLEMENTATION OF FSP FAS 117-1

The Center's assets include a donor-restricted endowment fund established to support Peter Paul Development Center's core program of youth education. The David T. Anderson Endowment for Youth Education will provide a legacy of sustainable funding with the revenue providing support for the education of youth at the Center and its satellite locations. The fund is currently held in cash accounts at a local financial institution and by a local foundation in which the funds will remain intact for the intended purpose of Youth Education at the Center in perpetuity. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Center has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investment, (6) other resources of the Center, and (7) the Centers' investment policies.

Investment Return Objectives, Risk Parameters and Strategies. For endowment assets the Center has adopted investment and spending policies, approved by the Board of Directors, that attempt to provide a regular source of income to meet the financial needs of programs supported by its endowment funds. To that end, the Center has established the following objectives: (1) to maintain the purchasing power of the current assets and future contributions, (2) to assure the safety and liquidity of the investments, (3) to optimize returns within reasonable and prudent levels of risk, given the changing environment in the global capital markets, (4) to maintain an appropriate asset allocation strategy based on total return policies that are compatible with a flexible spending policy, while still having the potential to produce positive

(Continued)

PETER PAUL DEVELOPMENT CENTER, INC.

Notes to Financial Statements

June 30, 2018

NOTE 6. DONOR-DESIGNATED ENDOWMENTS (UPMIFA STATE) AFTER IMPLEMENTATION OF FSP FAS 117-1 (Concluded)

real returns over full market cycles, (5) to control the costs of managing and administering the endowment assets, and (6) to maintain compliance with applicable fiduciary laws and regulations. Endowment assets are invested in a well diversified asset mix, which includes equity securities, debt securities, and alternative assets, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of income while growing the funds if possible.

Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Center has a policy of appropriating for distribution each year the income earned in the previous year. Individual donor-restricted funds may designate a different specific spending policy.

As of June 30, 2018 endowment funds with a fair market value of \$162,218 are donor-restricted and included in permanently restricted net assets.

Changes in permanently restricted endowment net assets as of June 30, 2018 are as follows:

Endowment net assets, July 1, 2017	\$ 155,440
Contributions	5,328
Change in allowance	(9,500)
Investment income	<u>10,950</u>
Endowment net assets, June 30, 2018	<u>\$ 162,218</u>

Permanently restricted endowment net assets are included in the Statement of Financial Position as follows:

Restricted cash	\$ 134,602
Pledges receivable – endowment (current)	14,500
Pledges receivable – endowment (long-term)	<u>13,116</u>
	<u>\$ 162,218</u>

NOTE 7. GOVERNING BOARD DESIGNATIONS

The Center's governing board has designated assets held by The Community Foundation, from net assets without donor restrictions, in the amount of \$435,551 for youth education. As of June 30, 2018, The Community Foundation endowment balance is \$567,190, which includes \$131,639 of the donor restricted cash mentioned in Note 6.