

Peter Paul Development Center, Inc.

FINANCIAL REPORT

JUNE 30, 2021

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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, 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.

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, 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.

Pilc & Moseley, LLC

Richmond, Virginia
October 14, 2021

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FINANCIAL STATEMENTS

PETER PAUL DEVELOPMENT CENTER, INC.

Statement of Financial Position

June 30, 2021

ASSETS

CURRENT ASSETS

Cash	\$ 2,783,766
Grants receivable	24,506
Contributions receivable - capital campaign (net of allowance of \$33,900)	4,723
Contributions receivable - operations	378,747
Prepaid expenses	14,249
Restricted cash	128,896
Total current assets	<u>3,334,887</u>

PROPERTY AND EQUIPMENT

Land	323,006
Buildings	3,332,144
Furniture and equipment	468,964
Vehicles	222,544
	<u>4,346,658</u>
Less accumulated depreciation	<u>1,465,943</u>
Total property and equipment	<u>2,880,715</u>

OTHER ASSETS

Investments	<u>801,098</u>
Total other assets	<u>801,098</u>
Total assets	<u>\$ 7,016,700</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 34,852
Accrued expenses	34,114
Total current liabilities	<u>68,966</u>
Total liabilities	<u>68,966</u>

NET ASSETS

Without donor restrictions	5,634,270
Board designated	651,099
Total unrestricted net assets	<u>6,285,369</u>
With donor restrictions	662,365
Total net assets	<u>6,947,734</u>
Total liabilities and net assets	<u>\$ 7,016,700</u>

See accompanying notes and independent auditor's report.

PETER PAUL DEVELOPMENT CENTER, INC.

Statement of Activities

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 1,212,208	\$ 1,036,837	\$ 2,249,045
Government grants	50,000	444,151	494,151
Forgiven Payroll Protection Program loan	396,250	-	396,250
Rental income	2,400	-	2,400
Interest income	1,194	-	1,194
Investment income, net	233,674	-	233,674
Miscellaneous income	3,056	-	3,056
Net assets released from restrictions	1,272,082	(1,272,082)	-
Total support and revenues	<u>3,170,864</u>	<u>208,906</u>	<u>3,379,770</u>
EXPENSES			
Functional expenses:			
Program services	1,439,449	-	1,439,449
Management and general	304,109	-	304,109
Fund raising	283,835	-	283,835
Total functional expenses	<u>2,027,393</u>	<u>-</u>	<u>2,027,393</u>
CHANGE IN NET ASSETS	1,143,471	208,906	1,352,377
NET ASSETS			
Beginning	<u>5,141,898</u>	<u>453,459</u>	<u>5,595,357</u>
Ending	<u>\$ 6,285,369</u>	<u>\$ 662,365</u>	<u>\$ 6,947,734</u>

See accompanying notes and independent auditor's report.

PETER PAUL DEVELOPMENT CENTER, INC.

Statement of Cash Flows
For the Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,352,377
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	147,409
Bad debt expense	25,400
Unrealized gain on investments	(236,774)
Permanently restricted gifts	(3,100)
Forgiveness of Payroll Protection Program loan	(396,250)
Changes in assets and liabilities:	
Grants receivable	27,280
Contributions receivable	(188,799)
Prepaid expenses	(2,182)
Accounts payable	27,864
Accrued expenses	<u>(385)</u>
Net cash provided by operating activities	<u>752,840</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	<u>(22,988)</u>
Net cash used in investing activities	<u>(22,988)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Permanently restricted gifts	<u>3,100</u>
Net cash provided by financing activities	<u>3,100</u>

Net increase in cash and cash equivalents 732,952

Beginning 2,179,710

Ending \$ 2,912,662

**CASH, CASH EQUIVALENTS AND RESTRICTED CASH
ARE COMPRISED OF THE FOLLOWING:**

Cash and cash equivalents	\$ 2,783,766
Restricted cash	<u>128,896</u>
	<u>\$ 2,912,662</u>

See accompanying notes and independent auditor's report.

PETER PAUL DEVELOPMENT CENTER, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Personnel costs	\$ 1,040,992	\$ 143,083	\$ 189,449	\$ 1,373,524
Bad debt expense	-	-	25,400	25,400
Bank service charges	-	7,721	-	7,721
Insurance	28,159	7,592	-	35,751
Miscellaneous	556	4,019	188	4,763
Occupancy	61,812	9,472	-	71,284
Office supplies	5,243	6,523	730	12,496
Other development costs	-	-	10,866	10,866
Postage and delivery	449	203	2,229	2,881
Printing and copying	5,910	1,461	4,999	12,370
Professional fees	58,758	26,523	33,671	118,952
Repairs and maintenance	15,110	1,821	-	16,931
Security	-	3,925	-	3,925
Supplies	117,402	402	234	118,038
Taxes	-	7,235	-	7,235
Telephone	21,278	8,635	673	30,586
Training and conferences	3,329	14,041	655	18,025
Transportation	5,746	3,490	-	9,236
Depreciation and amortization	<u>74,705</u>	<u>57,963</u>	<u>14,741</u>	<u>147,409</u>
Total functional expenses	<u>\$ 1,439,449</u>	<u>\$ 304,109</u>	<u>\$ 283,835</u>	<u>\$ 2,027,393</u>

See accompanying notes and independent auditor's report.

PETER PAUL DEVELOPMENT CENTER, INC.

Notes to Financial Statements

June 30, 2021

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 Presentation

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

For external reporting purposes the Center's financial statements have been prepared to focus on the Center as a whole and to present balances and transactions classified in accordance with the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. These net assets may be used at the discretion of the Center's management and the board of directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

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.

PETER PAUL DEVELOPMENT CENTER, INC.

Notes to Financial Statements

June 30, 2021

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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.

Depreciation expense for the year ended June 30, 2021 was \$147,409.

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.

Cash and cash equivalents

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

Restricted cash

The Center's restricted cash deposits are related to unspent contributions with donor restrictions. These restricted deposits totaled \$128,896 at June 30, 2021.

Concentrations

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, 2021, the Center's financial instrument balances in excess of the federally insured limits totaled \$2,259,788.

Contributions receivable

Contributions receivable are carried at net present value less an estimate made for potentially uncollectible accounts based on a review of all outstanding amounts on a regular basis. Management determines the allowance by regularly evaluating individual donor receivables and considering a donor's payment history and current economic conditions. When management determines a receivable is uncollectible during the current year it utilizes the direct write off method. Recoveries of receivables are recorded when received.

(Continued)

PETER PAUL DEVELOPMENT CENTER, INC.

Notes to Financial Statements

June 30, 2021

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Revenue Recognition

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Center reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations. When a donor restriction expires, that is, when a purpose restriction is accomplished or a time restriction passes, net assets with donor restrictions are reported in the statement of activity as net assets released from restrictions.

Conditional gifts are recognized only when the conditions on which they depend are substantially met and the gift becomes unconditional.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Center adopted the new standard effective July 1, 2020, the first day of the Center's fiscal year, using the modified retrospective approach. There was not a material impact on the financial statements as a result of this adoption.

The Center has adopted ASU No. 2018-08: Not-for-profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The Update addresses the evaluation of whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, and determining whether a contribution is conditional.

The Center has adopted Accounting Standards Update (ASU) No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires amounts generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents while reconciling the beginning-of-period and end-of-period total amounts shown on the Statement of Cash Flows. This guidance is intended to improve the classification and presentation changes in restricted cash on the Statement of Cash Flows and will provide more consistent application of U.S. GAAP by reducing diversity in practice. The ASU also requires an entity to disclose information about the nature of restricted cash.

(Continued)

PETER PAUL DEVELOPMENT CENTER, INC.

Notes to Financial Statements

June 30, 2021

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Donated Materials and Services

Donated materials are reflected as contributions in the financial statements at fair market value, if determinable. Donated materials valued at \$20,925 have been recorded for the year ended June 30, 2021.

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.

Classification of Net Assets

Net assets are classified as with or without donor restrictions. Net assets without donor restrictions may be used at the discretion of the board of directors. Net assets with donor restrictions 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, used for acquisition of long-term assets or earmarked for the David T. Anderson Endowment for youth education.

Net assets without donor restrictions include \$651,099 set aside by the Board of Directors for youth education.

Net assets with donor restrictions as of June 30, 2021 consist of the following:

David T. Anderson Endowment for youth education	\$ 149,999
Immediate response	7,371
Food distribution	6,604
Seniors program	4,799
Charlotte Sutherland Memorial Fund	6,000
Holiday programs	10,978
Building renovations	34,738
Z-Life program	58,406
Time restricted pledges	383,470
	<u>\$ 662,365</u>

Functional Expenses

The cost of providing program services and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(Continued)

PETER PAUL DEVELOPMENT CENTER, INC.

Notes to Financial Statements

June 30, 2021

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

(Concluded)

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 2017. The Center is not currently under audit by any tax jurisdiction.

Subsequent Events

Subsequent events were evaluated through October 14, 2021 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.

NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Center has \$2,808,272 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$2,783,766 and grants receivable of \$24,506.

NOTE 4. RETIREMENT PLAN

The Center has adopted a Section 401(k) defined contribution retirement plan. The Center provides for employee pre-tax deferral contributions and after-tax Roth contributions. To be eligible for the plan, employees must be at least 21 years of age and have completed two months of service. The Center matches 100% of the first 3% of employee contributions and 50% of the next 2% in employee contributions. The Center's contributions to this plan were \$24,428 for the year ended June 30, 2021.

PETER PAUL DEVELOPMENT CENTER, INC.

Notes to Financial Statements

June 30, 2021

NOTE 5. PAYCHECK PROTECTION PROGRAM LOAN

The Center was granted a loan under the Payroll Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan of \$396,250 was granted in April 2020. The Center initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barriers and right of return of the PPP loan no longer existed.

The Center has recognized \$396,250 as grant revenue for the year ended June 30, 2021. The Center has elected to follow the simultaneous release policy for donor restricted contributions that were initially conditional contributions independent of any election for other donor-restricted contributions.

NOTE 6. CONTRIBUTIONS RECEIVABLE

Contributions receivable – capital campaign at June 30, 2021 are as follows:

Unconditional promises to give	\$ 38,623
Less uncollectible allowance	<u>33,900</u>
Net pledges receivable – capital campaign	<u>\$ 4,723</u>

All contributions receivable – capital campaign are expected to be collected within one year.

Contributions receivable – operations at June 30, 2021 are as follows:

Unconditional promises to give	\$ <u>378,747</u>
Net pledges receivable - operations	<u>\$ 378,747</u>

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

NOTE 7. ENDOWMENT INVESTMENTS (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 investments 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.

(Continued)

PETER PAUL DEVELOPMENT CENTER, INC.

Notes to Financial Statements

June 30, 2021

NOTE 7. ENDOWMENT INVESTMENTS (UPMIFA STATE) AFTER IMPLEMENTATION OF FSP FAS 117-1 (Continued)

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. 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 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.

(Continued)

PETER PAUL DEVELOPMENT CENTER, INC.

Notes to Financial Statements

June 30, 2021

NOTE 7. ENDOWMENT INVESTMENTS (UPMIFA STATE) AFTER IMPLEMENTATION OF FSP FAS 117-1 (Concluded)

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 \$651,099 for youth education. As of June 30, 2021, The Community Foundation endowment balance is \$783,880, which includes \$132,781 of the donor restricted investment assets and \$651,099 of board designated investment assets.

Changes in board designated endowment net assets as of June 30, 2021 are as follows:

Board designated net assets, July 1, 2020	\$ 417,425
Investment fees	(6,085)
Investment gain	<u>239,759</u>
Board designated net assets, June 30, 2021	<u>\$ 651,099</u>

Donor Restricted Designations. As of June 30, 2021 endowment funds with a fair market value of \$149,999 are donor-restricted net assets.

Changes in donor-restricted endowment net assets as of June 30, 2021 are as follows:

Donor restricted endowment net assets, July 1, 2020	\$ 146,899
Contributions	<u>3,100</u>
Donor restricted endowment net assets, June 30, 2021	<u>\$ 149,999</u>

Donor restricted endowment net assets of \$149,999 is made up of \$132,781 in investment assets held by The Community Foundation and \$17,218 maintained in the Center's cash accounts.

Total Endowment Net Assets. Changes in total endowment net assets as of June 30, 2021 are as follows:

Total endowment net assets, July 1, 2020	\$ 564,324
Contributions	3,100
Investment fees	(6,085)
Investment loss	<u>239,759</u>
Total endowment net assets, June 30, 2021	<u>\$ 801,098</u>

Total endowment net assets of \$801,098 is made up of \$783,880 in investment assets held by The Community Foundation and \$17,218 maintained in the Center's cash accounts.

PETER PAUL DEVELOPMENT CENTER, INC.

Notes to Financial Statements

June 30, 2021

NOTE 8. UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) a pandemic, with the outbreak widespread across the world. The Board and management of the Center are actively monitoring the ongoing impact of COVID-19 on its operations, investments and liquidity.