CHILDREN'S HARBOR

PLACES & PROGRAMS FOR CHILDREN, INC.

FINANCIAL REPORT

JUNE 30, 2022

PLACES & PROGRAMS FOR CHILDREN, INC.

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FINANCIAL SECTION

PBMares
CPAs and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Places & Programs for Children, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Places & Programs for Children, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS) issued by the Comptroller General of the United States. 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS and GAS 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 GAAS and GAS, 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 the Organization'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 the Organization'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

PBMares, LLP

Norfolk, Virginia
February 7, 2023

FINANCIAL STATEMENTS

PLACES & PROGRAMS FOR CHILDREN, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

		2022		2021
ASSETS				
Cash and Cash Equivalents	$	212,711	$	952,612
Restricted Cash		188,891		150,674
Grants and Accounts Receivable, net:				
Government agencies		81,558		119,747
Social service bureaus		94,417		85,875
Other		224,524		83,369
Employee Retention Credit Receivable		859,455		859,455
Promises to Give		353,500		-
Prepaid Expenses		49,988		71,896
Property and Equipment, net		4,040,005		3,582,282
Beneficial Interests in Assets Held by Others		416,467		391,960
Total assets	$	6,521,516	$	6,297,870
LIABILITIES AND NET ASSETS				
Accounts Payable:				
Trade	$	89,222	$	52,670
Home daycare providers		77,149		63,396
Accrued Expenses		163,321		136,357
Deferred Revenue		13,744		22,937
Paycheck Protection Program Loans		-		500,900
Note payable		64,613		-
Economic Injury Disaster Loan		150,000		150,000
Bond Payable		1,728,519		1,916,696
Unamortized Debt Issuance Costs		(48,852)		(53,580)
Total liabilities		2,237,716		2,789,376
Net Assets:				
Without donor restrictions		3,521,064		3,159,956
With donor restrictions		762,736		348,538
Total net assets		4,283,800		3,508,494
Total liabilities and net assets	$	6,521,516	$	6,297,870

See Notes to Financial Statements.

PLACES & PROGRAMS FOR CHILDREN, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
Public support:			
Federated and non-federated campaigns, net	$ 368,903	$ 353,500	$ 722,403
Direct support	1,255,613	95,000	1,350,613
Government grants and reimbursement programs	2,394,145	-	2,394,145
Total public support	4,018,661	448,500	4,467,161
Revenues:			
Child care	1,744,076	-	1,744,076
Special events	7,319	-	7,319
Training and membership	22,338	-	22,338
Paycheck Protection Program loan forgiveness	500,900	-	500,900
Other revenue	21,664	-	21,664
Change in fair value of beneficial interests in assets held by others	(6,069)	30,576	24,507
Interest income	363	-	363
Total revenues	2,290,591	30,576	2,321,167
Net assets released from restrictions	64,878	(64,878)	-
Total support and revenues	6,374,130	414,198	6,788,328
Expenses:			
Program services	4,998,994	-	4,998,994
Support services	972,194	-	972,194
Fundraising	41,834	-	41,834
	6,013,022	-	6,013,022
Change in net assets	361,108	414,198	775,306
Net Assets, beginning of year	3,159,956	348,538	3,508,494
Net Assets, end of year	$ 3,521,064	$ 762,736	$ 4,283,800

PLACES & PROGRAMS FOR CHILDREN, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
Public support:			
Federated and non-federated campaigns, net	$ 288,195	$ -	$ 288,195
Direct support	143,847	-	143,847
Government grants and reimbursement programs	2,489,706	-	2,489,706
Total public support	2,921,748	-	2,921,748
Revenues:			
Childcare	1,676,247	-	1,676,247
Special events	6,314	-	6,314
Training and membership	14,528	-	14,528
Employee Retention Credit income	859,455	-	859,455
Paycheck Protection Program loan forgiveness	514,200	-	514,200
Other revenue	6,540	-	6,540
Change in fair value of beneficial interests in assets held by others	10,877	94,093	104,970
Interest income	406	-	406
Total revenues	3,088,567	94,093	3,182,660
Net assets released from restrictions	58,499	(58,499)	-
Total support and revenues	6,068,814	35,594	6,104,408
Expenses:			
Program services	3,909,203	-	3,909,203
Support services	809,769	-	809,769
Fundraising	37,440	-	37,440
	4,756,412	-	4,756,412
Change in net assets	1,312,402	35,594	1,347,996
Net Assets, beginning of year	1,847,554	312,944	2,160,498
Net Assets, end of year	$ 3,159,956	$ 348,538	$ 3,508,494

PLACES & PROGRAMS FOR CHILDREN, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	Program Services						
	Child Care	Training	USDA Homes	Total	Support Services	Fundraising	Total
Personnel Costs:							
Salaries	$ 2,473,984	$ 213,510	$ 59,566	$ 2,747,060	$ 495,010	$ 37,440	$ 3,279,510
Payroll taxes	188,492	16,267	4,538	209,297	37,715	2,853	249,865
Employee benefits	101,832	8,508	2,452	112,792	20,655	1,541	134,988
Total personnel costs	2,764,308	238,285	66,556	3,069,149	553,380	41,834	3,664,363
Awards, Grants and Scholarships	-	144,397	-	144,397	-	-	144,397
Bad debt expense	-	-	-	-	5,480	-	5,480
Conferences, Conventions and Meetings	2,259	15,032	734	18,025	166	-	18,191
Depreciation	196,702	-	-	196,702	3,128	-	199,830
Emergency Vouchers	2,934	4,626	-	7,560	-	-	7,560
Equipment Repairs and Maintenance	18,907	3,188	3,604	25,699	23,151	-	48,850
Food	203,719	-	-	203,719	1,703	-	205,422
Insurance	61,782	409	7,230	69,421	11,070	-	80,491
Interest and Financing Fees	1,151	-	-	1,151	72,030	-	73,181
Local Transportation	29,349	182	1,960	31,491	4,073	-	35,564
Miscellaneous	39,881	2,092	9,240	51,213	30,789	-	82,002
Occupancy	406,579	4,663	2,205	413,447	12,562	-	426,009
Organization Dues	626	20	75	721	1,402	-	2,123
Postage	39	20	2	61	4,603	-	4,664
Printing, Publications, and Advertising	6,007	-	-	6,007	45,826	-	51,833
Professional Fees and Contractual Services	53,734	4,769	1,870	60,373	176,158	-	236,531
Provider Reimbursements	-	-	466,685	466,685	-	-	466,685
Supplies	214,310	737	65	215,112	17,788	-	232,900
Telephone, Internet, and Website	15,258	1,747	1,056	18,061	8,885	-	26,946
Total expenses	$ 4,017,545	$ 420,167	$ 561,282	$ 4,998,994	$ 972,194	$ 41,834	$ 6,013,022

PLACES & PROGRAMS FOR CHILDREN, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Program Services						
	Child Care	Training	USDA Homes	Total	Support Services	Fundraising	Total
Personnel Costs:							
Salaries	$ 1,819,834	$ 190,199	$ 58,775	$ 2,068,808	$ 458,401	$ 37,440	$ 2,564,649
Payroll taxes	137,438	13,681	4,094	155,213	38,755	-	193,968
Employee benefits	81,324	17,917	7,118	106,359	4,741	-	111,100
Total personnel costs	2,038,596	221,797	69,987	2,330,380	501,897	37,440	2,869,717
Awards, Grants and Scholarships	-	133,823	-	133,823	72	-	133,895
Conferences, Conventions and Meetings	187	6,371	-	6,558	47	-	6,605
Depreciation	183,679	-	-	183,679	584	-	184,263
Emergency Vouchers	-	6,583	-	6,583	-	-	6,583
Equipment Repairs and Maintenance	13,239	3,478	3,931	20,648	9,385	-	30,033
Food	165,483	53	-	165,536	712	-	166,248
Insurance	56,116	564	5,999	62,679	9,557	-	72,236
Interest and Financing Fees	1,221	-	-	1,221	77,243	-	78,464
Local Transportation	13,407	27	911	14,345	3,190	-	17,535
Miscellaneous	20,871	51	6,061	26,983	30,353	-	57,336
Occupancy	317,000	4,017	1,961	322,978	12,558	-	335,536
Organization Dues	870	16	-	886	1,121	-	2,007
Postage	14	31	-	45	1,521	-	1,566
Printing, Publications, and Advertising	4,229	-	-	4,229	20,092	-	24,321
Professional Fees and Contractual Services	43,704	5,496	1,942	51,142	112,710	-	163,852
Provider Reimbursements	-	-	398,299	398,299	-	-	398,299
Supplies	158,556	5,488	241	164,285	19,379	-	183,664
Telephone, Internet, and Website	11,818	1,992	1,094	14,904	9,348	-	24,252
Total expenses	$ 3,028,990	$ 389,787	$ 490,426	$ 3,909,203	$ 809,769	$ 37,440	$ 4,756,412

PLACES & PROGRAMS FOR CHILDREN, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	$ 775,306	$ 1,347,996
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	199,830	184,263
Bad debt expense	5,480	-
Amortization of debt issuance costs	4,728	4,728
Paycheck Protection Program loan forgiveness	(500,900)	(514,200)
Change in fair value of beneficial interests in assets held by others	(24,507)	(104,970)
Change in assets and liabilities		
Employee Retention Credit receivable	-	(859,455)
Grants and accounts receivable	(116,988)	(45,559)
Promises to give	(353,500)	58,358
Prepaid expenses	21,908	(56,494)
Accounts payable	50,305	42,601
Accrued expenses	26,964	28,294
Deferred revenue	(9,193)	2,498
Net cash provided by operating activities	79,433	88,060
Cash Flows from Investing Activities:		
Property and equipment acquisitions	(588,634)	(247,944)
Net distributions from beneficial interests in assets held by others	-	2,172
Net cash used in investing activities	(588,634)	(245,772)
Cash Flows from Financing Activities:		
Proceeds from Paycheck Protection Program Loan	-	500,900
Proceeds from Economic Injury Disaster Loan	-	150,000
Payments on note payable	(4,306)	-
Principal payments on bond payable	(188,177)	(181,344)
Net cash provided by (used in) financing activities	(192,483)	469,556
Net increase (decrease) in cash and cash equivalents	(701,684)	311,844
Cash and Cash Equivalents, beginning of year	1,103,286	791,442
Cash and Cash Equivalents, end of year	$ 401,602	$ 1,103,286

PLACES & PROGRAMS FOR CHILDREN, INC.

STATEMENTS OF CASH FLOWS (Continued)
Years Ended June 30, 2022 and 2021

		2022		2021
Supplemental Disclosure of Cash and Cash Equivalents				
Cash and cash equivalents	**$**	**212,711**	$	952,612
Restricted cash		**188,891**		150,674
	$	**401,602**	$	1,103,286
Supplemental Disclosure of Cash Flow Information				
Interest paid	**$**	**68,453**	$	73,696
Supplemental Disclosure of Non-Cash Activities				
Equipment purchased with note payable proceeds	**$**	**68,919**	$	-

Note 1. Organization and Nature of Activities

Places & Programs for Children, Inc. (the Organization) is a group of five early care and education centers providing childcare to the general public in South Hampton Roads, Virginia and the Eastern Shore of Virginia. The Organization offers scholarships, based on income, to ensure all children have access to quality early care and education. The Organization operates a community training and professional development department to benefit the early care and education communities by providing workshops, seminars and conferences for individual teachers and the center and home based child care providers. The Organization provides emergency tuition assistance aimed at allowing children to stay in their childcare setting when their families face financial crisis. The Organization is also a sponsor of the United States Department of Agriculture's (USDA) Child and Adult Care Food Program (CACFP), whereby it is responsible for the administration of the food program in approximately 65 day care homes. The Organization is supported primarily through child care fees and government grant reimbursements.

Note 2. Summary of Significant Accounting Policies

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

Financial statement presentation: The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions or with donor restrictions, as applicable as follows:

> Net assets without donor restrictions are those currently available at the discretion of the Organization's Board of Directors for use in the Organization's operations and are not subject to donor or other grantor restrictions.
>
> Net assets with donor restrictions are those whose use by the Organization is limited by donor-imposed stipulations that expire by passage of time, can be fulfilled and removed by actions of the Organization pursuant to those stipulations, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restriction expires or is otherwise satisfied in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires or is otherwise satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Support and revenue recognition: Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Government grants and reimbursements are generally conditional and recognized when qualifying expenses have been incurred. Childcare revenue relates directly to parent tuition and the associated fees with it. The Organization also provides emergency tuition assistance aimed at allowing children to stay in their child care setting when their families face financial crisis. Tuition is due by Friday for the following week, and acceptable forms of payment include checks, credit cards, and money orders. Deferred revenue consists of student tuition and fees received in advance of the services performed. The revenue associated with parent tuition is recognized when earned when performance obligations have been satisfied, and any amounts for services provided subsequent to year-end is recognized as deferred revenue and is recorded as revenue in the next fiscal year.

Note 2. Summary of Significant Accounting Policies (Continued)

The opening balance of contract assets at July 1, 2020 was $107,769. The opening balance of contract liabilities at July 1, 2020 was $20,439.

Cash and cash equivalents: The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash and cash equivalents.

Restrictions on cash: Cash maintained in separate bank accounts, in accordance with donor and grantor stipulations, was $38,136 and $25 at June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, cash restricted for debt service was $150,755 and $150,649, respectively.

Beneficial interest in assets held by others: Beneficial interests in assets held by others are reported at their fair value in the statements of financial position. Fair value for these assets is determined using the net asset value (NAV) practical expedient. Unrealized gains and losses are included in the statements of activities.

Grants and accounts receivable: The Organization is involved in programs with governmental entities, other nonprofit entities, and individuals, which result in unsecured accounts receivable. Uncollectible accounts from these programs are rare. When they do occur, approval to write off any amount is required from the chief executive officer. Receivables that might be due from government agencies as a result of amended reimbursement claims will not be paid if such amended claims are not filed within 90 days of the original claim. Grants and accounts receivable are deemed past due if not received within 30 days. There was an allowance of $15,479 and $10,000 recorded at June 30, 2022 and 2021, respectively.

Promises to give: United Way and other promises to give are stated at the amount management expects to collect from balances outstanding at year-end. These receivables represent amounts due from United Way and other individuals. Management believes that all of these receivables are fully collectible; therefore, no provision for doubtful accounts has been made. All of the Organization’s promises to give were due within the next year as of June 30, 2022 and 2021.

Property and equipment: Property and equipment are stated at cost if purchased and at fair value on the date received, if donated. Generally, major improvements and assets valued at $1,000 or more are capitalized, while ordinary maintenance and repairs are expensed. Depreciation is computed using the straight-line or accelerated methods over the estimated useful lives of the related assets as follows:

Building and improvements	5 - 40 years
Leasehold improvements	7 - 10 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

Donated services: A substantial number of unpaid volunteers have made significant contributions of their time to help develop the Organization's programs and activities. The value of these contributions is not reflected in the accompanying financial statements since it is not susceptible to objective measurement or valuation and do not meet the criteria for recognition in the financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

Functional allocation of expenses: The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses which can be directly associated with a function are charged directly. Other expenses that are common to several functions are allocated by various statistical bases.

Advertising: The Organization expenses advertising costs as they are incurred. Advertising expense was $48,757 and $24,155 for 2022 and 2021, respectively, and is included in printing, publications, and advertising in the statements of functional expenses.

Income taxes: The Organization is a qualifying nonprofit entity as defined in Section 501(c)(3) of the Internal Revenue Code and is therefore exempt from federal and state income taxes, except on net income generated from unrelated business taxable income, if any.

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization’s management has evaluated the impact of the guidance to its financial statements. The Organization’s income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date they were filed.

The Organization’s policy is to classify income tax related interest and penalties, if any, in general and administrative expenses.

Concentrations and credit risk: Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of cash, temporary cash investments, other investments, and receivables. Concentrations of credit risk with respect to grant receivables are limited due to the number of grantors, many of which are federal government pass through grants.

The Organization maintains its cash and cash equivalents in one bank located in Virginia. During the years ended June 30, 2022 and 2021, the Organization from time to time had amounts on deposit in excess of the Federal Deposit Insurance Corporation insured limits.

The Organization receives a substantial award from the United Way of South Hampton Roads (United Way) each year. A loss of funding or a significant decrease in funding would have a significant financial impact on the Organization. Included in promises to give is $353,500 and $0 due from United Way at June 30, 2022 and 2021, respectively. Approximately 11% of the Organization's revenue was earned from the U.S. Department of Agriculture in 2022 and 2021. Any significant reductions in this funding would require the Organization to reduce or eliminate this program.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates and assumptions.

Note 2. Summary of Significant Accounting Policies (Continued)

Debt issuance costs: Debt issuance costs of $118,195 net of accumulated amortization of $69,343 and $64,615 as of June 30, 2022 and 2021, respectively, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest and financing fees on the statements of functional expenses and is computed using the straight-line method which approximates the effective interest method.

Adopted accounting pronouncements: During the year ended June 30, 2022, the Organization implemented Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is meant to enhance the transparency of a not-for-profit entity's reporting of contributed nonfinancial assets by requiring additional presentation and disclosure requirements for those contributions. The adoption of this guidance did not have a significant impact on the financial statements.

During the year ended June 30, 2021, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) using a modified retrospective method of adoption. The core principle of ASU 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. The adoption of ASU 2014-09 did not have a significant impact on the Organization's revenue recognition methodologies.

New accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). In ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. This ASU requires a modified retrospective transition approach, which includes a number of optional practical expedients, described in ASU 2016-02, which may be applied. The ASU is effective for fiscal years beginning after December 15, 2020. The impact of the new standard has not been determined, however it is expected that there will be an increase in the Organization's assets and liabilities. However, in June 2020, the FASB issued ASU 2020-05, deferring the effective date of ASU 2016-02, making it effective for private companies for annual reporting periods beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

Reclassifications: Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications have no effect on the change in net assets as previously reported.

Subsequent events: In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 7, 2023, the date the financial statements were available to be issued. Except as disclosed in notes 8, 14 and 17, management has determined that there are no subsequent events that require disclosure in accordance with U.S. GAAP.

Note 3. Liquidity and Availability

Financial assets and liquidity resources available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

	2022	2021
Cash and cash equivalents	**$ 212,711**	$ 952,612
Employee Retention Credit receivable	**859,455**	859,455
Grants and accounts receivable	**400,499**	288,991
Promises to give	**353,500**	-
Available line of credit	**100,000**	100,000
Total financial assets and liquidity resources available within one year	**$ 1,926,165**	$ 2,201,058

The Organization's cash flows are typically spread evenly throughout the year. The Organization's line of credit is utilized to manage cash flows as needed.

Note 4. Promises to Give

Promises to give consist of the follow:

	2022	2021
United Way allocation for next fiscal year	**$ 353,500**	$ -
Total promises to give	**$ 353,500**	$ -

Note 5. Beneficial Interests in Assets Held by Others

In connection with the Batten Endowment Challenge grant (see Note 15), the Organization has established a permanent endowment fund at the Hampton Roads Community Foundation (HRCF) known as the Children's Harbor Anchor Fund.

In addition, the Organization has an agency fund held by the United Way of South Hampton Roads Foundation (UWSHRF). The Organization retains variance power for these funds and can withdraw them at any time.

Note 5. Beneficial Interests in Assets Held by Others (Continued)

Beneficial interests in assets held by others is composed of the following at fair value as of June 30, 2022 and 2021:

		2022		2021
Children's Harbor Anchor Fund held by HRCF	$	379,114	$	348,538
Places and Programs for Children Fund held by UWSHRF		37,353		43,422
Total beneficial interests in assets held by others	$	416,467	$	391,960

Note 6. Fair Value Measurements

The Organization estimates the fair value of its beneficial interest in the Children's Harbor Anchor Fund managed by the Hampton Roads Community Foundation (HRCF) based on the Organization's proportionate share of the HRCF's reported net assets, a method equivalent to NAV. Accordingly, the beneficial interest in the assets held by the HRCF is not subject to the traditional fair value hierarchy. Similarly, the Organization estimates the fair value of its beneficial interest in the assets held by UWSHRF based on the Organization's proportionate share of the UWSHRF's reported net assets, a method equivalent to NAV.

The Organization's financial instruments valued at fair value on a recurring basis consisted of the following at June 30, 2022:

		Valued at NAV		Total
Beneficial interests in assets held by others	$	416,467	$	416,467

The Organization's financial instruments valued at fair value on a recurring basis consisted of the following at June 30, 2021:

		Valued at NAV		Total
Beneficial interests in assets held by others	$	391,960	$	391,960

Note 6. Fair Value Measurements (Continued)

The Organization's financial instruments valued at fair value in accordance with FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, consist of funds invested in the Children's Harbor Anchor Fund managed by the HRCF as well as the agency fund managed by the UWSHRF. These pooled funds consist of equities and other securities that have active markets as well as alternative investments that do not have readily determinable fair values, real assets and private equity investments. Collectively however, the Organization's beneficial interests in the assets held by the HRCF and UWSHRF cannot be traded on active markets. The fair values of the alternative investments that do not have readily determinable fair values are determined by the investment managers and are based on audited financial statements provided to the investment managers or are based on historical cost, appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the investment manager taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate.

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Note 7. Property and Equipment

Property and equipment consist of the following:

	2022	2021
Land	**$ 748,845**	$ 748,845
Building and improvements	**5,356,962**	5,356,962
Leasehold improvements	**540,398**	51,166
Furniture and equipment	**1,150,551**	952,095
Vehicles	**273,757**	206,991
Construction in progress	**-**	96,900
	8,070,513	7,412,959
Accumulated depreciation	**(4,030,508)**	(3,830,677)
Property and equipment, net	**$ 4,040,005**	$ 3,582,282

Depreciation expense was $199,830 and $184,263 for the years ended June 30, 2022 and 2021, respectively.

Note 8. Bond Payable

The bond payable consists of a 25-year Industrial Development Authority of Matthews County Bond, Series 2007, dated September 26, 2007, collateralized by real estate. The bond had an original value of $3,500,000 and requires monthly principal and interest payments of $21,098 through September 2032. The interest rate is adjusted and fixed every five years. The interest rate for the five-year period ending July 1, 2022 is 3.55%. There are no covenants or guarantees in the bond agreement. In September 2022, the interest rate was reset at 4.27% and the monthly payment became $17,279.

Future maturities of the bond payable are as follows:

Year		Amount
2023	$	135,741
2024		141,651
2025		147,820
2026		154,257
2027		160,974
Thereafter		988,076
	$	1,728,519

Note 9. Net Assets

Net assets without donor restrictions consist of the following:

		2022		2021
Net investment in plant	**$**	**2,360,338**	$	1,719,166
Bond sinking fund		**150,755**		150,649
General unrestricted		**1,009,971**		1,290,141
	$	**3,521,064**	$	3,159,956

Net assets with donor restrictions consist of the following:

		2022		2021
Accumulated earnings in the Children's Harbor Anchor Fund held by HRCF	**$**	**141,180**	$	110,604
Original gifts to the Children's Harbor Anchor Fund held by HRCF to be invested in perpetuity		**237,934**		237,934
Time restricted grant		**30,122**		-
Time restricted United Way promise to give		**353,500**		-
	$	**762,736**	$	348,538

Note 9. Net Assets (Continued)

Net assets were released from restrictions by satisfying the restricted purposes or due to the passage of time as follows:

	2022	2021
United Way time restriction expired	**$ -**	$ 58,499
Donor time or purpose restrictions satisfied	**64,878**	-
	$ 64,878	$ 58,499

Note 10. Retirement Plan

The Organization sponsors a 403(b) defined contribution pension plan covering all employees who work a minimum of 1,000 hours per calendar year, have worked for the Organization for at least one year, and have attained age 21. Contributions to the plan by the Organization are discretionary and must be approved by the Board of Directors. The Organization contributed $22,677 and $6,328 to the plan for 2022 and 2021, respectively, and is included in employee benefits on the statements of functional expenses.

Note 11. Operating Leases

The Organization leases property on an annual basis for a childcare facility in Chesapeake, Virginia through a non-cancelable operating lease. The current lease expires in May 2023 and provides for monthly rent of $3,833. On June 1, 2021, the Organization entered into a lease agreement to rent an additional childcare facility in Onancock, Virginia. The term is 60 months and provides for monthly rent of $5,000. The rent for June, July and August 2021 is deferred until May 2026 or until termination of lease, whichever shall come first. Rental expense paid under these operating leases was $100,279 and $49,240 for the years ended June 30, 2022 and 2021, respectively, and is included in occupancy expense on the statements of functional expenses.

In addition, the Organization leases office equipment pursuant to operating leases with terms ending in 2026. Monthly rent for these leases is approximately $240.

Minimum future annual rent commitments under these lease agreements are as follows:

Year	Amount
2023	$ 105,119
2024	62,952
2025	62,952
2026	72,330
	$ 303,353

Note 12. Donations In-Kind

During the years ended June 30, 2022 and 2021, the Organization received gifts in-kind of program supplies valued at $4,570 and $0, respectively, that have been reflected in the financial statements of the Organization. These in-kind gifts are included in direct support without donor restrictions in the accompanying statements of activities. All in-kind gifts of program supplies are used in the Organization's operations.

Note 13. Fundraising Costs

Revenue reported as "public support from federated and non-federated campaigns, net" in the accompanying statements of activities includes contributions received by the United Way of South Hampton Roads on behalf of the Organization. That support is reported net of the Organization's proportionate share of the United Way's fundraising costs of $49,247 and $39,064 for 2022 and 2021, respectively.

Note 14. Line of Credit

At June 30, 2022 and 2021, the Organization had an available revolving line of credit in the amount of $100,000 that matures on November 26, 2024. The line is secured by a credit line deed of trust on real property. The loan bears interest at the *Wall Street Journal* prime rate plus 1% (5.75% at June 30, 2022); however, not less than 6.5% per year and is payable on demand. The line of credit did not have a balance outstanding at June 30, 2022 or 2021.

Note 15. Endowment Funds

The Organization is a participant in the Batten Endowment Challenge grant. This program is designed to create a lasting source of funding to improve the educational achievement of children and youth in South Hampton Roads. The Batten Endowment Challenge established a $1 million endowment with the HRCF in a designated fund for which the earnings benefit the Organization. The fund is administered, managed and invested by the HRCF. Each year a distribution may be made to the Organization in accordance with the HRCF's spending policy, which is currently 4.5% of a trailing twelve quarter average. The Organization holds no variance power over these funds. During the years ended June 30, 2022 and 2021, no distributions from the fund were received.

The Organization's endowment consists of various funds which are included in beneficial interest in assets held by others. These funds are donor-restricted funds established for the purpose of creating the Children's Harbor Anchor Fund. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 15. Endowment Funds (Continued)

The management of donor-restricted endowment funds is governed by state law under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the Virginia state legislature in 2008. The law gives guidance for investment and spending practices, giving consideration for donor intent and the organization's overall resources and charitable purpose. Based on their interpretation of law and in compliance with donor intent, the Organization classifies endowment net assets as without donor restrictions or with donor restrictions, the accumulated earnings and original value of gifts donated to the endowment, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the state UPMIFA law. The Organization appropriates expenditures from time-to-time as a specific need arises.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds could fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, a deficiency of this nature is reported in net assets with donor restrictions. As of June 30, 2022, no such deficiency existed.

A summary of the activity in the endowment net assets for the year ended June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	**$ -**	**$ 348,538**	**$ 348,538**
Investment return:			
Net income	**-**	**32,745**	**32,745**
Appropriation of endowment assets for expenditure	**-**	**(2,169)**	**(2,169)**
Endowment net assets, end of year	**$ -**	**$ 379,114**	**$ 379,114**

A summary of the activity in the endowment net assets for the year ended June 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 254,445	$ 254,445
Investment return:			
Net income	-	96,166	96,166
Appropriation of endowment assets for expenditure	-	(2,073)	(2,073)
Endowment net assets, end of year	$ -	$ 348,538	$ 348,538

Note 15. Endowment Funds (Continued)

In accordance with state UPMIFA law, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the investment policies of the Organization.

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the executive committee, the endowment assets are invested in a manner that is intended to maximize long-term growth using a balanced approach with less than full stock market risk and volatility.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Pursuant to the agreement with HRCF related to this fund, the Organization may receive an annual distribution up to HRCF's spending policy, which is currently 4.5% of a trailing twelve quarter average. Although this is an endowment fund, the fund agreement does allow the Organization to request an amount greater than HRCF's spending policy if it makes the case that the purpose of the distribution meets one of three criteria outlined in the agreement. All requests must be approved by the Organization's Board of Directors and by HRCF's Board of Directors.

Note 16. Economic Injury Disaster Loan

In July 2020, the Organization obtained an Economic Injury Disaster Loan for $150,000 as a result of the Covid-19 pandemic. Payments including principal and interest of $641 were to begin twelve months from the date of the promissory note and the balance of principal and interest will be payable thirty years from the date of the promissory note. In March 2022, the Small Business Administration provided a deferment for an additional 18 months from the date on the original note. Interest continues to accrue at the rate of 2.75% per annum. Future principle maturities are as follows:

Year	Amount
2023	$ -
2024	3,454
2025	3,550
2026	3,649
2027	3,750
Thereafter	135,597
	$ 150,000

Note 17. Employee Retention Credit

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law and one of the provisions of this act was the Employee Retention Credit. The Employee Retention Credit act as fully refundable credits against the employer portion of Social Security taxes based on the amount of qualified wages that an eligible employer has incurred. Contributions to qualified medical plans also constitute creditable amounts. The credit is available to offset all federal employment withholdings owed in a particular quarter including both the employer and employee share of Social Security, Medicare taxes and withholdings for federal income taxes. For the year ended June 30, 2021, the Organization recognized $859,455 as a refundable payroll tax credit asset and income in connection with the Employee Retention Credit program. Subsequent to June 30, 2022, the Organization received approximately $305,000 of these tax credits.

Note 18. Note Payable

In December 2021, the Organization obtained a loan for the purchase of equipment in the original amount of $68,919. The note provides for monthly payments totaling $944, including interest at 4.0%. The note is secured by equipment and is due in December 2028. The balance at June 30, 2022 is $64,613. Future principle maturities are as follows:

Year	Amount
2023	$ 8,869
2024	9,230
2025	9,617
2026	10,014
2027	10,428
Thereafter	16,455
	$ 64,613

COMPLIANCE SECTION

PBMares
CPAs and Consultants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Places & Programs for Children, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Places & Programs for Children, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2022, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 7, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Norfolk, Virginia
February 7, 2023

PBMares CPAs and Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Places & Programs for Children, Inc.

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Places & Programs for Children, Inc.'s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2022. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements*, *Cost Principles*, and *Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PBMares, LLP

Norfolk, Virginia
February 7, 2023

PLACES & PROGRAMS FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor/ Pass-through Grantor/Program or Cluster Title	*Federal Assistance Listing Number*	*Pass-Through Entity Identifying Number*	*Provided to Subrecipients*	*Total Federal Expenditures*
U.S. Department of Agriculture				
Pass-through Virginia Department of Health				
Child and Adult Care Food Program				
Homes Administration	10.558	10158	$ -	$ 92,560
Homes Provider Income	10.558	10158	-	466,562
Centers Programs	10.558	10158	-	184,359
Total Department of Agriculture			-	743,481
U.S. Department of Health and Human Services				
Pass-through Virginia Department of Social Services and Child Development Resources, Inc.				
Infant Toddler Specialist Network	93.575	ITSN-EAS-17	-	178,689
Total Department of Health and Human Services			-	178,689
CDBG - Entitlement Grants Cluster				
U.S. Department of Housing and Urban Development				
Pass-through from City of Chesapeake				
Community Development Block Grant	14.218	PY 45	-	51,600
Total CDBG - Entitlement Grants Cluster			-	51,600
Small Business Administration				
Direct program:				
Disaster Assistance Loans (Economic Injury Disaster Loans)	59.008	4512548001	-	150,000
			-	150,000
Total Expenditures of Federal Awards			$ -	$ 1,123,770

PLACES & PROGRAMS FOR CHILDREN, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Places & Programs for Children, Inc. under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CRF) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

Places & Programs for Children, Inc. has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

PLACES & PROGRAMS FOR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:				
Material weakness(es) identified?	______	Yes	√	No
Significant deficiency(ies) identified?	______	Yes	√	None Reported
Noncompliance material to financial statements noted?	______	Yes	√	No

Federal Awards

Type of auditor's report issued on compliance for the major federal programs: *Unmodified*

Internal control over the major federal programs:				
Material weakness(es) identified?	______	Yes	√	No
Significant deficiency(ies) identified?	______	Yes	√	None Reported
Any audit findings disclosed that are required to be reported in accordance with Section 02 CFR 200.516(a)?	______	Yes	√	No

Identification of major program:

Federal Assistance Listing Number	Name of Federal Program or Cluster
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee?	√	Yes	______	No

SECTION II. FINANCIAL STATEMENT FINDINGS

No findings noted.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings and questioned costs noted.

CORPORATE OFFICE
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Website: www.childrensharbor.cc

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2022

2021-001 (Compliance finding and Significant Deficiency in Internal Control over Compliance) Child and Adult Care Food Program – Federal Assistance Listing No. 10.558 (U.S. Department of Agriculture)

Criteria and Condition: The Child and Adult Care Food Program has specific monitoring requirements for providers. From July 1, 2020 through August 4, 2020, this program was operating under a waiver issued by the grantor to reduce the number and types of monitorings required. Further on August 4, 2020, onsite monitorings were waived in lieu of the recommendation that the recipient organization conduct desktop reviews. During the year under audit, the Organization did not comply with this requirement. The Organization could not locate documentation to demonstrate that the necessary number and types of monitorings occurred prior to the August 4 waiver, and there was no documentation of desktop reviews occurring after that waiver was effective.

Context: Out of 25 files sampled, 8 samples showed no onsite monitoring or less than the required amount, and there was no evidence of desktop monitorings. While this could have resulted in questionable costs, we did not detect any evidence of improper spending in our testing for allowable costs.

Cause: The Organization did not have procedures in place to quickly adapt to the frequently changing requirements of the program during the Covid pandemic. The requirements for monitorings changed three times during the audit period due to the Covid pandemic.

Effect and Questioned Costs: There were no questioned costs noted in the results of our testing.

Identification of Repeat Findings: This is not a repeat finding.

Recommendations: We recommend that appropriate policies and procedures be established to ensure that requirements associated with onsite and desktop monitorings be conducted and documented in accordance with changing regulations. In addition, we recommend that responsible staff regularly monitor program guidance to ensure that the current requirements are understood and shared with all program staff.

Corrective action was taken.

2021-002 (Compliance finding and Significant Deficiency in Internal Control over Compliance) Child and Adult Care Food Program – Federal Assistance Listing No. 10.558 (U.S. Department of Agriculture)

Criteria and Condition: The Child and Adult Care Food Program requires that enrollment forms be signed by the guardian or parent of children participating in the program and those forms be retained for 3 years. During the year under audit, the Organization could not locate signed enrollment forms for two providers tested. These two providers no longer participate in the program.

2021-002 (Compliance finding and Significant Deficiency in Internal Control over Compliance) Child and Adult Care Food Program – Federal Assistance Listing No. 10.558 (U.S. Department of Agriculture) (Continued)

Context: Out of 25 files sampled, 2 samples included enrollment forms lacking parent signatures. While this could have resulted in questionable costs, we did not detect any evidence of improper spending in our testing for allowable costs.

Cause: The Organization did not have controls and procedures in place to ensure that all enrollment forms are signed by the guardian/parent and retained for the required amount of time.

Effect and Questioned Costs: There were no questioned costs noted in the results of our testing.

Identification of Repeat Findings: This is not a repeat finding.

Recommendations: We recommend that appropriate policies and procedures be established to ensure that every child served by the Organization has an enrollment form signed by the guardian/parent and that those forms are retained for three years.

Corrective action was taken.