A PLACE TO BE

Middleburg, Virginia

FINANCIAL REPORT

August 31, 2018

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
A Place to Be
Middleburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of A Place to Be (the "Organization"), which comprise the statements of financial position as of August 31, 2018 and 2017, the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 from 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 Organization'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 Organization's internal 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 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 A Place to Be as of August 31, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
November 6, 2018

A PLACE TO BE

Statements of Financial Position
August 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 749,205	$ 363,508
Accounts receivable, net	86,058	68,957
Pledges receivable	- -	25,000
Prepaid expenses	23,475	16,668
Investments	10,182	6,628
Property and equipment, net	26,204	46,344
Total assets	$ 895,124	$ 527,105
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 9,207	$ 16,425
Current portion of note payable	- -	2,392
	9,207	18,817
Net Assets		
Unrestricted	482,698	284,335
Temporarily restricted	398,219	218,953
Permanently restricted	5,000	5,000
	885,917	508,288
Total liabilities and net assets	$ 895,124	$ 527,105

See Notes to Financial Statements.

A PLACE TO BE

Statement of Activities
For the Year Ended August 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions and grants	$ 357,210	$ 600,117	$ - -	$ 957,327
Private session fees, net of financial aid of $38,475	191,690	- -	- -	191,690
Group session fees, net of financial aid of $37,463	133,227	- -	- -	133,227
Contracts income	352,139	- -	- -	352,139
Productions income	15,568	- -	- -	15,568
Unrealized gain on investments	690	- -	- -	690
Other income	810	- -	- -	810
Satisfaction of purpose and time restrictions	420,851	(420,851)	- -	- -
Total support and revenue	1,472,185	179,266	- -	1,651,451
Expenses				
Program services	1,010,180	- -	- -	1,010,180
Management and general	226,186	- -	- -	226,186
Fundraising	37,456	- -	- -	37,456
Total expenses	1,273,822	- -	- -	1,273,822
Changes in net assets	198,363	179,266	- -	377,629
Net assets, beginning of year	284,335	218,953	5,000	508,288
Net assets, end of year	$ 482,698	$ 398,219	$ 5,000	$ 885,917

See Notes to Financial Statements.

A PLACE TO BE

Statement of Activities
For the Year Ended August 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions and grants	$ 337,370	$ 416,162	$ 5,000	$ 758,532
Private session fees, net of financial aid of $34,735	138,091	- -	- -	138,091
Group session fees, net of financial aid of $34,321	137,641	- -	- -	137,641
Contracts income	199,225	- -	- -	199,225
Productions income	26,863	- -	- -	26,863
Unrealized gain on investments	1,516	- -	- -	1,516
Other income	1,093	- -	- -	1,093
Satisfaction of purpose and time restrictions	250,341	(250,341)	- -	- -
Total support and revenue	1,092,140	165,821	5,000	1,262,961
Expenses				
Program services	793,439	- -	- -	793,439
Management and general	258,607	- -	- -	258,607
Fundraising	7,827	- -	- -	7,827
Total expenses	1,059,873	- -	- -	1,059,873
Changes in net assets	32,267	165,821	5,000	203,088
Net assets, beginning of year	252,068	53,132	- -	305,200
Net assets, end of year	$ 284,335	$ 218,953	$ 5,000	$ 508,288

See Notes to Financial Statements.

A PLACE TO BE

Statements of Cash Flows
For the Years Ended August 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Changes in net assets	$ 377,629	$ 203,088
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	20,140	22,701
Unrealized and realized (gain) on investments	(690)	(1,516)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(17,101)	49
Decrease (increase) in pledges receivable	25,000	(2,778)
Decrease in inventory	- -	3,840
(Increase) in prepaid expenses	(6,807)	(3,113)
(Decrease) increase in accounts payable and accrued expenses	(7,218)	14,804
(Decrease) in deferred revenue	- -	(2,679)
Net cash provided by operating activities	390,953	234,396
Cash Flows from Investing Activities		
Purchase of investments, net	(2,864)	- -
Purchase of property and equipment	- -	(8,199)
Net cash (used in) investing activities	(2,864)	(8,199)
Cash Flows from Financing Activities, payments on note payable	(2,392)	(5,210)
Change in cash and cash equivalents	385,697	220,987
Cash and Cash Equivalents		
Beginning of year	363,508	142,521
End of year	$ 749,205	$ 363,508
Supplemental Disclosure, cash paid for interest	$ 10	$ 255

See Notes to Financial Statements.

A PLACE TO BE

Notes to Financial Statements

Note 1. Nature of Organization

A Place to Be (the "Organization") helps people face, navigate, and overcome life's challenges through the therapeutic arts.

A summary of the Organization's significant accounting policies are as follows:

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profit Entities Topic of the FASB ASC, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Classes of Net Assets

Net assets are classified in three classes based on the existence or absence of donor-imposed restrictions.

Unrestricted net assets – Represent those assets that the Organization may use at its discretion.

Temporarily restricted net assets – Net assets subject to donor imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations to be maintained permanently by the Organization. Generally, the donor of these assets will permit the use of all or part of the income earned on the related investments to be used for general or specific purposes.

Revenue Recognition

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Temporarily restricted net assets are reclassified to unrestricted net assets when the purpose or time restrictions are met. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period the assets are acquired or placed in service.

Contributions, which include unconditional promises to give, are recognized as revenue in the period the promise is made by the donor. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

Accounts Receivable

Accounts receivable consists primarily of amounts due from students for private sessions. Accounts receivable are carried at original contract amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Based on management's evaluation of collectability of accounts receivable, management has established an allowance for doubtful accounts of $3,566 and $5,221 as of August 31, 2018 and 2017, respectively. Bad debt expense was $4,863 and $4,028 for the years ended August 31, 2018 and 2017, respectively.

Pledges Receivable

Pledges receivable, which includes unconditional promises to give, are recognized as revenues in the period the promise is made by the donor. As of August 31, 2017, management expected all pledges to be received in full and to be collected within one year. Therefore, there was no allowance or discount recognized as of August 31, 2017. There were no pledges receivable as of August 31, 2018.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly-liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash accounts in bank accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses on such accounts.

Property and Equipment

All purchases of property and equipment have been recorded at cost. Property and equipment that is donated to the Organization is stated at its fair market value at the time of donation. Depreciation is determined by the straight line method over the estimated useful lives of the assets as follows:

	Years
Automobile	7
Computer equipment	3
Leasehold improvements	5
Musical instruments	5-7
Audio visual equipment	7

Inventory

Inventory, which consists of books, is stated at the lower of cost (first-in, first-out method) or market. Inventory was written off as of August 31, 2017.

Tax-Exempt Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Use of 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 and disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Organization for its year ended August 31, 2021. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

In June 2018, the FASB issued Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958), which clarifies the scope and the accounting guidance for contributions received and contributions made. Specifically, the update assists entities in determining whether a transaction should be accounted for as a contribution or an exchange transaction. If a transaction is accounted for as an exchange transaction, other accounting guidance, for example, in Topic 606, Revenue from Contracts with Customers, should be followed. If, however, a transaction is accounted for as a contribution, guidance in Subtopic 958-605 should be followed. Additionally, the update assists entities in determining whether a contribution is conditional. ASU 2018-08 is effective for contributions received by the Organization for its year ended August 31, 2020. ASU 2018-08 is effective for contributions made, if applicable, by the Organization for its year ended August 31, 2021. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of Topic 958 will have on its financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), which provides guidance for recognizing revenue from contracts with customers. The core principle of ASU 2014-09 is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. Generally, the ASU states that revenue should be recognized by following a five step process which include identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligation in the contract, and recognizing revenue as the entity satisfies a performance obligation. ASU 2014-09 is effective for the Organization for its year ended August 31, 2020. The Organization is currently evaluating the impact that the adoption of Topic 606 will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for the Organization for its year ended August 31, 2019. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-14 will have on its financial statements.

Advertising and Marketing Costs

The Organization expenses advertising and marketing costs as incurred. Advertising and marketing expenses were $25,703 and $14,150 as of August 31, 2018 and 2017, respectively.

Fair Value of Financial Instruments

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under the standards are described as follows:

Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities or other inputs observable for the asset or liability, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For the fiscal years ended August 31, 2018 and 2017, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments

The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Note 2. Temporarily Restricted Net Assets

Amounts included in temporarily restricted net assets as of August 31, 2018 and 2017 include:

	2018	2017
Business Plan	$ - -	$ 20,000
Sr. Director of Finance & Administration	110,000	110,000
Forest Allen Financial Aid Fund	72,717	36,902
Immersion	31,291	- -
Pledges	- -	25,000
Same Sky Tour	- -	4,016
VA Comm of the Arts	27,158	23,035
Health Insurance	62,053	- -
Time Restriction	60,000	- -
Therapist Fund	35,000	- -
Total	$ 398,219	$ 218,953

Net assets are released from donor restrictions when expenses are incurred satisfying the donors' restricted purposes or by the occurrence of other events specified by donors.

Amounts released from temporarily restricted net assets as of August 31, 2018 and 2017 were as follows:

	2018	2017
Business Plan	$ 20,000	$ 10,000
Sr. Director of Finance & Administration	110,000	- -
Forest Allen Financial Aid Fund	75,588	68,916
Pledges	25,000	- -
Same Sky Tour	72,196	114,128
VA Comm of the Arts	27,100	19,864
Health Insurance	15,967	- -
Other	75,000	37,433
Total	$ 420,851	$ 250,341

Note 3. Endowment and Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity. Investment earnings on these amounts are used to support the Organization's operations.

Interpretation of Law

The Organization has interpreted the Virginia-enacted version of 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 Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization had permanently restricted net assets of $5,000 as of August 31, 2018 and 2017.

Note 4. Receivables

Accounts receivable as of August 31, 2018 and 2017 consisted of the following:

	2018	2017
Accounts receivable	$ 89,624	$ 74,178
Less: allowance for doubtful accounts	(3,566)	(5,221)
	$ 86,058	$ 68,957

Pledges receivable as of August 31, 2017 was $25,000 and due within one year. There were no pledges receivable as of August 31, 2018.

Note 5. Office Space Lease

The Organization has a five-year lease (initial term) for office space in which the Organization pays $6,500 less $457 for leasehold improvements, per month. The lease matures in December 2020. After the end of the third year during the initial term, rent increases at a rate of 3% per year. At the end of the five-year term, the Organization has an option to renew the lease for a period of three years, with rent increases at a rate of 3% per year.

Total rent expense during the years ended August 31, 2018 and 2017 amounted to $78,000 for both years. The related receivable for the leasehold improvements is $12,799 and $18,283 as of August 31, 2018 and 2017, respectively.

Maturities on the lease are as follows:

2019	$ 79,755
2020	82,148
2021	20,688
Total	$ 182,591

Note 6. Property and Equipment

Property and equipment, net as of August 31, 2018 and 2017, consisted of the following:

	2018	2017
Automobile	$ 32,752	$ 32,752
Leasehold improvements	45,298	45,298
Musical instruments	35,449	35,449
Computer equipment	7,348	7,348
Audio visual equipment	3,093	3,093
	123,940	123,940
Less accumulated depreciation	(97,736)	(77,596)
	$ 26,204	$ 46,344

Depreciation expense was $20,140 and $22,701 for the years ended August 31, 2018 and 2017, respectively.

Note 7. Note Payable

The Organization had a note payable to an automobile company for the purchase of a vehicle. The note was interest bearing at a rate of 1.9% and matured in January 2018 with monthly payments of $482. The balance of the note payable was $2,392 at August 31, 2017. The note was paid off during 2018.

Note 8. Line of Credit

The Organization entered into an agreement for a line of credit in the amount of $150,000. The interest rate for the line of credit fluctuates based on the prime rate. The interest rate will not be less than 4.75% per annum or more than the maximum rate allowed by applicable law. The line of credit matures in March of 2019. There was no balance outstanding as of August 31, 2018 or 2017.

Note 9. Subsequent Events

Management has evaluated all subsequent events through November 6, 2018, the date the financial statements were available to be issued. Management has determined that there are no subsequent events that require recognition or disclosure.

Note 10. Operating Expenses

Expenses by natural classification for the years ended August 31, 2018 and 2017 is as follows:

	2018	2017
Bad debt	$ 4,863	$ 4,028
Banking and other fees	7,130	4,610
Contract services	75,347	67,825
Contributions	555	3,790
Depreciation	20,140	22,701
Fundraising	11,559	7,828
Insurance	27,094	26,066
Interest	10	255
Marketing	25,703	14,150
Meals	3,370	1,975
Miscellaneous	4,713	1,908
Office expenses	14,805	21,237
Professional development	25,516	40,454
Professional fees	20,350	31,825
Program expenses	64,907	78,145
Rent	83,995	83,829
Repairs and maintenance	16,507	26,774
Salaries, taxes and benefits	837,844	600,341
Taxes and licenses	393	597
Technology	12,204	4,573
Telephone/ internet	5,653	6,330
Travel	7,325	5,350
Utilities	2,950	2,749
Vehicle expenses	889	2,533
Total	$ 1,273,822	$ 1,059,873

Note 11. Investments

Investments as of August 31, 2018 and 2017 were as follows:

	2018		
	Cost	**Market Value**	**Unrealized Appreciation**
Equities	$ 7,976	$ 10,182	$ 2,206

	2017		
	Cost	**Market Value**	**Unrealized Appreciation**
Mutual Funds	$ 5,112	$ 6,628	$ 1,516

Note 12. Fair Value of Investments

The following table presents the balance of financial assets measured at fair value on a recurring basis as of August 31, 2018 and 2017:

	2018		
	Level 1	**Level 2**	**Level 3**
Equities	$ 10,182	$ - -	$ - -

	2017		
	Level 1	**Level 2**	**Level 3**
Mutual Funds	$ 6,628	$ - -	$ - -