



PERSON-TO-PERSON

Helping Others, One Person at a Time.

**Person-to-Person, Inc.
Financial Statements
(Together with Independent Auditors' Report
and Supplementary Information)**

For the Six-month Period Ended June 30, 2020

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

PERSON-TO-PERSON, INC.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report
and Supplementary Information)

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Person-to-Person, Inc.

We have audited the accompanying financial statements of Person-to-Person, Inc. (a not-for-profit organization, the "Organization"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows for the six-month period 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's 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 Person-to-Person, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Related Party Support

As explained in Note 13 of the financial statements, Person-to-Person, Inc. is a separate not-for-profit organization founded by Saint Luke's Episcopal Church of Darien, Connecticut ("St. Luke's"). St. Luke's and Person-to-Person, Inc. are related parties under common control and share economic resources. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information on pages 19-20 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.

Markus Peneth CP

Purchase, NY
December 3, 2020

PERSON-TO-PERSON, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020

ASSETS

Current Assets

Cash and cash equivalents	\$ 3,211,402
Government grants receivable	7,285
Contributions receivable, current portion	67,603
Inventory	68,768
Prepaid expenses and other receivables	<u>70,539</u>
Total Current Assets	3,425,597

Property and Equipment, net	762,292
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Security deposit	10,587
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Contributions receivable, net of current portion and discount of \$464 in 2020	24,536
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Investments - Janet Evans Endowment Fund	<u>3,010,397</u>
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TOTAL ASSETS	<u>\$ 7,233,409</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	\$ 194,071
Agency liabilities	27,284
Loans and notes payable, current portion	<u>181,150</u>
Total Current Liabilities	402,505

Loans and notes payable, net of current portion	<u>184,050</u>
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Net Assets

Without donor restrictions:	
Available for operations	893,678
Board-designated - COVID relief fund	677,184
Net investment in property and equipment	<u>762,292</u>
Total without donor restrictions	2,333,154
With donor restrictions	<u>4,313,700</u>

TOTAL NET ASSETS	<u>6,646,854</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,233,409</u>
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PERSON-TO-PERSON, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
SIX-MONTH PERIOD ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Contributions - cash	\$ 1,870,564	\$ 1,179,250	\$ 3,049,814
In-kind contributions - goods	3,473,658	-	3,473,658
In-kind contributions - other	40,485	-	40,485
Government grants	160,923	-	160,923
Investment loss	<u>(18,625)</u>	<u>(123,392)</u>	<u>(142,017)</u>
Special events income	12,612	-	12,612
Less: Costs of direct benefit to donors	<u>(4,121)</u>	<u>-</u>	<u>(4,121)</u>
Net revenues from special events	8,491	-	8,491
OPUS dues	2,070	-	2,070
Other revenue	2,263	-	2,263
Net assets released from restrictions:			
Satisfaction of program and purpose restrictions	<u>994,014</u>	<u>(994,014)</u>	<u>-</u>
 Total Public Support and Revenue	 <u>6,533,843</u>	 <u>61,844</u>	 <u>6,595,687</u>
EXPENSES			
Program Services			
Emergency assistance	5,164,173	-	5,164,173
Scholarships	41,701	-	41,701
Camperships	<u>133,833</u>	<u>-</u>	<u>133,833</u>
Total Program Services	<u>5,339,707</u>	<u>-</u>	<u>5,339,707</u>
Supporting Services			
Management and general	126,959	-	126,959
Fund development	<u>378,320</u>	<u>-</u>	<u>378,320</u>
Total Supporting Services	<u>505,279</u>	<u>-</u>	<u>505,279</u>
 Total Expenses	 <u>5,844,986</u>	 <u>-</u>	 <u>5,844,986</u>
 CHANGE IN NET ASSETS	 688,857	 61,844	 750,701
Net assets - beginning of period	<u>1,644,297</u>	<u>4,251,856</u>	<u>5,896,153</u>
 Net assets - end of period	 <u>\$ 2,333,154</u>	 <u>\$ 4,313,700</u>	 <u>\$ 6,646,854</u>

PERSON-TO-PERSON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

	<u>PROGRAM SERVICES</u>				<u>SUPPORTING SERVICES</u>			<u>DIRECT BENEFIT TO DONORS</u>	<u>TOTAL FUNCTIONAL EXPENSES</u>
	<u>EMERGENCY ASSISTANCE</u>	<u>SCHOLAR- SHIPS</u>	<u>CAMPER- SHIPS</u>	<u>TOTAL</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND DEVELOPMENT</u>	<u>TOTAL</u>		
Salaries	\$ 578,954	\$ 24,349	\$ 27,139	\$ 630,442	\$ 75,124	\$ 224,337	\$ 299,461	\$ -	\$ 929,903
Payroll taxes	39,058	1,643	1,831	42,532	5,068	15,135	20,203	-	62,735
Benefits	76,842	2,196	2,659	81,697	4,952	21,097	26,049	-	107,746
Payroll and Related Expenditures	694,854	28,188	31,629	754,671	85,144	260,569	345,713	-	1,100,384
Clothing and food distributed	3,558,860	-	-	3,558,860	-	-	-	-	3,558,860
Grants and assistance	443,403	10,000	99,185	552,588	-	-	-	-	552,588
Food and supplies	160,960	-	-	160,960	-	-	-	760	161,720
Program supplies	19,644	-	-	19,644	450	648	1,098	-	20,742
Donated services	40,485	-	-	40,485	-	-	-	-	40,485
Occupancy	97,040	998	1,062	99,100	3,302	5,682	8,984	3,061	111,145
Office expenses	12,621	572	309	13,502	637	42,764	43,401	-	56,903
Insurance	-	-	-	-	17,170	-	17,170	-	17,170
Postage	1,553	34	38	1,625	105	15,278	15,383	-	17,008
Equipment maintenance and support	32,150	561	589	33,300	1,170	10,562	11,732	-	45,032
Computer supplies and software	540	90	93	723	35	898	933	-	1,656
Telephone	12,276	126	134	12,536	418	719	1,137	-	13,673
Vehicle expense	11,947	-	-	11,947	-	-	-	-	11,947
Volunteers and training	608	21	-	629	-	319	319	-	948
Audit	-	-	-	-	16,100	-	16,100	-	16,100
Communications	1,093	68	-	1,161	-	33,734	33,734	-	34,895
Consulting	4,925	300	-	5,225	-	1,275	1,275	-	6,500
Other	980	21	25	1,026	47	1,760	1,807	300	3,133
Depreciation and Amortization	70,234	722	769	71,725	2,381	4,112	6,493	-	78,218
Total Expenses	5,164,173	41,701	133,833	5,339,707	126,959	378,320	505,279	4,121	5,849,107
Less: direct benefits to donors recorded on statement of activities	-	-	-	-	-	-	-	(4,121)	(4,121)
Total Functional Expenses	\$ 5,164,173	\$ 41,701	\$ 133,833	\$ 5,339,707	\$ 126,959	\$ 378,320	\$ 505,279	\$ -	\$ 5,844,986

See accompanying notes to financial statements.

PERSON-TO-PERSON, INC.
STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	<u>\$ 750,701</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Realized and unrealized losses on investments, net	163,129
Depreciation and amortization	78,218
Changes in Operating Assets and Liabilities:	
Government grants receivable	(2,952)
Contributions receivable	73,241
Prepaid expenses and other receivables	(20,003)
Inventory	85,202
Accounts payable, accrued expenses and agency liabilities	<u>117,174</u>
Total Adjustments	<u>494,009</u>
Net Cash Provided by Operating Activities	<u>1,244,710</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments	898,192
Purchase of investments	(520,697)
Purchase of property and equipment	<u>(32,264)</u>
Net Cash Provided by Investing Activities	<u>345,231</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from loans and notes payable	365,200
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NET INCREASE IN CASH AND CASH EQUIVALENTS

	1,955,141
Cash and cash equivalents - beginning of period	<u>1,256,261</u>
Cash and cash equivalents - end of period	<u>\$ 3,211,402</u>

PERSON-TO-PERSON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Person-to-Person, Inc. (“Person-to-Person” or the “Organization”), a not-for-profit human services organization, was established in 1968 by Saint Luke’s Episcopal Church in Darien, Connecticut (“St. Luke’s”). Person-to-Person was incorporated under the Connecticut Nonstock Corporation Act as a separate organization in 1994. St. Luke’s is the sole member of the Organization.

Person-to-Person is a volunteer-driven, community-supported agency which, through the sharing of goods and talents, responds to individuals and families who lack the basic necessities or resources to improve their lives. The Organization provides rapid response assistance to client emergencies, as well as access to interconnected services that support its clients’ journeys toward self-sufficiency. Person-to-Person offers assistance through three key programs: emergency assistance, camperships and scholarships. The emergency assistance program provides food, clothing, financial assistance, including eviction mediation, and crisis counseling to residents of Lower Fairfield County, Connecticut. More than 150 children attended summer day camps in 2020 through the campership program. The scholarship program provides financial assistance for local students from low-income households.

In 2018, Person-to-Person launched the P2P on Wheels program. The purpose of the program is to take food and financial assistance into five low-income neighborhoods four days a week. In late 2017, Person-to-Person purchased and took possession of a 32’ truck for P2P On Wheels, and in early 2018 launched its new program.

The Organization receives most of its support from the general public through cash and in-kind contributions. OPUS, a fundraising arm of Person-to-Person, was established to raise funds and public awareness for Person-to-Person. OPUS has dues-paying members who engage primarily in special event fundraising on behalf of Person-to-Person. OPUS is not a separate legal entity, but rather a part of Person-to-Person.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Basis

Person-to-Person’s financial statements have been prepared on the accrual basis of accounting and presented in accordance with Financial Accounting Standards Board (“FASB”) guidance for not-for-profit organizations. Under that guidance, the Organization is required to report information regarding its net assets and revenues, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Without donor restrictions – Net assets that are not subject to explicit donor-imposed stipulations, including board designated funds functioning as endowment.
- With donor restrictions – Net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of the Organization or the passage of time, stipulations that they be held in perpetuity by the Organization, and net assets from endowments not yet appropriated for spending. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Change in Reporting Period

In October 2019, the Board of Directors resolved to change the fiscal year of the Organization from year end December 31 to year end June 30, resulting in these 6 month financial statements. The purpose of the change was to better align the Organization’s reporting period with its business cycle. The change had no impact on the Organization’s change in net assets.

PERSON-TO-PERSON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions: Person-to-Person reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Promises to Give: Unconditional promises to give are recognized as revenue in the period received and recorded as assets. Conditional promises to give are recognized when the conditions on which they depend are *substantially met*.

Government grants are nonexchange transactions accounted for under ASU 2018-08. Multi-year governmental contracts included under government grants are cancellable by the funder upon its sole discretion. Governmental grants are recognized as revenue when barriers within the contract are overcome and there is no longer a right of return. Government grants amounted to \$160,923 for the six-month period ended June 30, 2020.

Non-cash Contributions: The Organization receives a substantial amount of volunteer services in carrying out its programs and activities. Volunteers perform various administrative and fundraising functions. However, only certain amounts have been reflected in the financial statements for those services meeting the criteria for recognition. Contributed services are not recognized unless the donated services create or enhance non-financial assets or require specialized skills that would typically be purchased if not donated. In-kind contributions are measured at the fair value of the assets transferred to Person-to-Person or the liabilities cancelled or settled. The Organization received and recognized contributed services from specialized professionals for its emergency assistance programs and administrative functions of \$40,485 during the six-month period ended June 30, 2020. The programs run by the Organization require the dedication and resources of over 1,300 volunteers who provided approximately 70,000 hours of service assisting clients, stocking the food pantry, sorting clothing, packing bags and boxes for clients, and other tasks.

Government Grants and Contributions Receivable

Management reviews the balances of government grants and contributions receivable on a regular basis and expects all amounts to be fully collectible; therefore, there is no allowance for doubtful accounts.

Inventory

Inventory consists of clothing, food, household items and supplies. Items are valued based on unit values published by The Salvation Army, Feeding America, and Second Harvest, and other available data.

Investments

Person-to-Person follows FASB guidance on fair value, which, among other things, defines fair value, establishes a hierarchical framework for measuring fair value, and expands disclosure about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy is organized into three levels based upon the assumptions (referred to as “inputs”) used in pricing the asset or liability, as follows:

PERSON-TO-PERSON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, with fair value being determined through the use of models or other valuation methodologies.

Level 3: Inputs are unobservable for the asset or liability and are used to the extent that observable inputs do not exist. Level 3 inputs require significant management judgment and estimation. Factors considered include the purchase cost, prices of recent private placements of the same issuer, liquidity of the investment, changes in financial condition of the issuer, and valuations of similar companies.

The Organization values all of its investments using Level 1 inputs. For equity funds and fixed income funds, the inputs are valued at the closing price reported on the active market on which the individual securities are traded. For mutual funds, the inputs are valued at the net asset value of shares held at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the Organization believes its 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 fair value measurement at the reporting date. The Organization reports investment income and gains and losses as increases or decreases in net assets without donor restrictions in the Statement of Activities and Change in Net Assets unless a donor or law restricts their use.

Property and Equipment

Property and equipment are carried at cost, if purchased, or at fair values on dates donated, if contributed. Person-to-Person reports gifts of property and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as donor restricted support. Purchases over \$500 with a useful life greater than one year are capitalized. Repairs and maintenance of existing assets are expensed as incurred.

Depreciation is determined by use of the straight-line method over the following estimated useful lives or lease term:

Leasehold improvements	5 - 20 years
Equipment and furnishings	3 - 15 years
Vehicles	5 - 6 years

Uncertainty in Income Taxes

The Organization evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of June 30, 2020, the Organization does not believe that it has taken any positions that would require recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year.

PERSON-TO-PERSON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Person-to-Person expenses the cost of advertising when the advertising takes place.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Organization regularly assesses these estimates and, while actual results may differ from these estimates, management believes that material changes will not occur in the near term.

Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid investments with an initial maturity of less than three months when purchased to be cash equivalents.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of activities and change in net assets and functional expenses. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort. The direct costs of special events include expenses for the benefit of the donors.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, and marketable equity securities. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of emergency assistance, campership, and scholarship as well as services undertaken to support those activities to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of June 30, 2020, the Organization's financial assets were as follows:

Cash and cash equivalents	\$ 3,211,402
Investments	3,010,397
Government grants receivable	7,285
Contributions receivable	92,139
Miscellaneous receivables	<u>438</u>
Subtotal financial assets at period end	6,321,661

PERSON-TO-PERSON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

Less: amounts with limits on usage	
Board designated assets	(677,184)
Spendable net assets with donor restrictions	(1,303,303)
Endowed investments	<u>(2,830,397)</u>
 Total financial assets available for general use within one year	 <u>\$ 1,510,777</u>

As part of the Organization’s liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments and money market funds. Occasionally, the Board designates a portion of any operating surplus to a board designated fund, which was \$677,184 as of June 30, 2020. This reserve, established by the Board of Directors, will be drawn upon to meet COVID related expenses.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are expected to be fully collectible and consist of the following as of June 30, 2020:

Due in less than one year	\$ 67,603
Due in one to five years	25,000
Less: discount to present value, at 1.25%	<u>(464)</u>
 Total Contributions Receivable	 <u>\$ 92,139</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2020:

Equipment and software	\$ 338,542
Furniture and fixtures	110,580
Leasehold improvements	1,015,310
Vehicles	<u>311,764</u>
	1,776,196
 Less: accumulated depreciation and amortization	 <u>(1,013,904)</u>
 Total Property and Equipment, net	 <u>\$ 762,292</u>

NOTE 6 – INVESTMENTS

The following table sets forth, within Level 1 of the fair value hierarchy, the Organization’s assets at fair value at June 30, 2020:

Equity funds	\$ 1,964,304
Fixed income funds	<u>1,046,093</u>
 Total Investments, at Fair Value	 <u>\$ 3,010,397</u>

PERSON-TO-PERSON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 – INVESTMENTS (Continued)

Investment activity, including interest earned on cash accounts, is summarized as follows for the six-month period ended June 30, 2020:

Interest and dividend income	\$ 27,329
Realized gains	47,795
Unrealized losses	(210,924)
Investment fees	<u>(6,217)</u>
 Total Investment Loss	 <u>\$ (142,017)</u>

Investments are managed in accordance with board-approved policies. The policies, which also permit a portion of the Janet Evans Endowment Fund (see Note 9) to be spent annually, are designed to diversify the assets in the portfolio and manage them in a prudent manner, to preserve the value of the portfolio in real terms (after inflation), and to generate a reliable flow of earnings annually for support.

NOTE 7 – PAYCHECK PROTECTION PROGRAM LOAN

On April 16, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$365,200 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses and expects to qualify for full forgiveness. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in November 2020, principal and interest payments will be required through the maturity date in April 2022.

The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default. Principal payments on this debt, if not forgiven, will be as follows for the next two fiscal years ending June 30:

2021	\$ 181,150
2022	<u>184,050</u>
 Total PPP Loan Payable	 <u>\$ 365,200</u>

PERSON-TO-PERSON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 – RESTRICTIONS AND DESIGNATIONS OF NET ASSETS

Net assets with donor restrictions were available for the following purposes at June 30, 2020:

Janet Evans Endowment Fund assets with restrictions	\$ 3,010,397
Food programs	341,251
Emergency assistance	498,829
Capital campaign	52,311
Campership	100,342
Scholarship	261,155
Technology, strategic planning and training	20,116
Capital improvements	26,781
Other Programs:	
Holiday toy store	<u>2,518</u>
 Total Net Assets with Donor Restrictions	 <u>\$ 4,313,700</u>

Net assets released from donor restrictions and disbursed during the six-month period June 30 were as follows:

Janet Evans Endowment Fund appropriations	\$ 167,112
Food programs	109,713
Emergency assistance	433,398
P2P on Wheels	143,988
Baby Basics	2,273
Camperships	99,185
Scholarship	10,000
Technology, strategic planning, and training	801
Capital improvements	27,519
Other Programs:	
Holiday toy store	<u>25</u>
 Total Net Assets Released from Restrictions	 <u>\$ 994,014</u>

NOTE 9 – JANET EVANS ENDOWMENT FUND

In 2003, Person-to-Person established the Janet Evans Endowment Fund (the “Fund”) to honor the retirement of former Executive Director Janet Evans. Contributions to the Fund are invested as directed by an endowment committee appointed by the Board of Directors. Withdrawals from the Fund in a given year, which may be used at the discretion of the Board of Directors, are limited to 6% of the average year end market value for the three preceding calendar years.

The Organization’s endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

PERSON-TO-PERSON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 – JANET EVANS ENDOWMENT FUND (Continued)

Changes in endowment net assets during the period ended June 30 are as follows:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, January 1, 2020	\$ 241,578	\$ 3,300,901	\$ 3,542,479
Investment income	-	22,251	22,251
Net asset depreciation	(17,660)	(129,428)	(147,088)
Investment fees	-	(6,217)	(6,217)
Undesignated	(223,918)	-	(223,918)
Borrowings for operating reserves	-	(276,082)	(276,082)
Repayment of borrowings	-	277,527	277,527
Appropriation of endowment assets for expenditure	-	(178,555)	(178,555)
Net assets, June 30, 2020	<u>\$ -</u>	<u>\$ 3,010,397</u>	<u>\$ 3,010,397</u>

In March 2020, the Organization withdrew \$223,918 in net assets without donor restrictions and borrowed \$276,082 from the endowment fund to ensure the Organization had adequate operating reserves during the Pandemic. The loan was repaid with interest in June 2020, and the effective interest rate was 1.95% based on the March 2020 Applicable Federal Rate.

The Organization's Board of Directors, as a matter of policy, requires 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. The donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the State of Connecticut's Uniform Prudent Management of Institutional Funds Act. In accordance with accounting principles generally accepted in the United States, any deterioration of the fair value of assets associated with donor restricted endowment funds that fall below the level the donor requires the Organization to retain in perpetuity is to be reported in net assets with donor restrictions. The deficiencies may result from unfavorable market fluctuations that occurred in the economy as a whole that may have affected the donor restricted endowment fund where the fair value of the donor restricted endowment fund fell below the amount that is required to be held in perpetuity. The Organization has not incurred such deficiencies in its endowment funds as of June 30, 2020.

The Organization currently has an investment policy that provides for an asset allocation that is designed to meet the goals of the Organization based on a number of factors including the projected spending needs, the maintenance of sufficient liquidity and the return objectives and risk tolerances of the Organization. The asset allocation plan provides for diversification of assets in an effort to maximize the investment return and manage risk of the Organization consistent with market conditions.

NOTE 10 – BOARD DESIGNATED NET ASSETS

The Organization has received significant funding for emergency efforts during the Pandemic. The Board of Directors has voted to designate \$677,184 of net assets without donor restrictions for COVID-19 relief efforts. These funds are in addition to the unexpended gifts with donor restrictions designated by donors for these efforts.

PERSON-TO-PERSON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 – IN-KIND CONTRIBUTIONS

During 2020, Person-to-Person recognized donated clothing, food, and supplies of \$3,473,658, for use in Person-to-Person's programs. The values of clothing, furniture, household items, and other goods are estimated by management based on unit values published by The Salvation Army and other available data. From time to time, management reviews Person-to-Person's valuation methodology for food items. Such a review was conducted in 2020 based upon data published by Feeding America. The weight of the typical bag of groceries received is ten pounds. Food contributions for 2020 have been reported based upon these benchmarks.

For the six-month period ended June 30, 2020, donated professional services recognized in the financial statements totaled \$40,485.

The Organization received the services of approximately 1,300 individual volunteers. Volunteer services are not recognized in the Statement of Activities and Change in Net Assets because such services do not involve specialized skills; however, they represent greater than 23,000 hours of service for the six-month period ended June 30, 2020. Volunteers staff and run the Organization's numerous programs, projects, and events, as well as provide transportation services. The value of donated volunteer services not recognized in the financial statements is approximately \$685,015 for the six-month period ended June 30, 2020, (based on the Independent Sector valuation of Connecticut volunteer time at an hourly rate of \$32.07 for the six-month period ended June 30, 2020).

NOTE 12 – RETIREMENT PLAN

The Organization has a 403(b) Plan ("403(b) Plan"). Employees who are over 21 years of age and work 1,000 or more hours per calendar year are eligible to participate in the 403(b) Plan on the first day of the month coincident with or following the date that the employees satisfy the eligibility requirements. For those employees who make a contribution of 2% or more to the 403(b) Plan, the Organization will make a 5% contribution match up to \$3,500 to the 403(b) Plan on their behalf. Employees who make a contribution of less than 2% are not entitled to a contribution on their behalf from the Organization. Participating employees' years of full-time service prior to the adoption of the 403(b) Plan are counted toward the employees' vesting schedule. Retirement plan expense was \$20,632 for the six-month period ended June 30, 2020.

NOTE 13 – RELATED-PARTY TRANSACTIONS

An independent Board of Directors elected by St. Luke's oversees the management and operation of Person-to-Person. Person-to-Person occupies two buildings on St. Luke's property in Darien, Connecticut, which it uses for offices, a clothing distribution center and a food pantry, and also shares certain other economic resources with St. Luke's. In April 2010, Person-to-Person entered into an agreement to pay an occupancy expense of \$4,000 per month to Saint Luke's. The agreement is on a month-to-month basis.

There was no payables balance at June 30, 2020 for certain expenses paid for by St. Luke's. Saint Luke's donated \$24,750 to the Organization as part of the church annual outreach program for the period ended June 30, 2020.

NOTE 14 – COMMITMENTS

The Organization has a lease on a facility at 76 South Main Street in Norwalk, Connecticut which operates as a food pantry. The lease is a five-year operating lease, commencing August 1, 2016 and expiring July 31, 2021, with escalations each year. Rent expense, which includes real estate taxes, under the Norwalk lease for the period ended June 30, 2020 was \$35,378.

PERSON-TO-PERSON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 – COMMITMENTS (Continued)

In December 2017, the Organization entered into a ten-year operating lease agreement for warehouse space in Stamford, Connecticut, with lease payments commencing in February 2018. This location houses P2P on Wheels and serves as a food storage location for the entire Organization. Rent expense under the Stamford lease for the period ended June 30, 2020 was \$27,344. The Organization has the right to terminate the lease after December 18, 2022, with 180 day written notice.

The annual payment requirements under the lease agreements for the years subsequent to June 30, 2020 and thereafter are:

2021	\$ 86,170
2022	39,111
2023	35,615
2024	36,506
2025	37,418
Thereafter	<u>100,878</u>
Total	<u>\$ 335,698</u>

NOTE 15 – CONCENTRATIONS

The Organization maintains its cash and cash equivalent balances at several financial institutions. Concentrations of credit risk result primarily from cash on deposit at these financial institutions in excess of Federal Deposit Insurance Corporation ("FDIC") limits. At times during the period, cash and cash equivalent balances may be in excess of FDIC coverage. At June 30, 2020, the Organization's uninsured cash and cash equivalents balance totaled \$2,535,993.

NOTE 16 – INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Contributions made to the Organization are qualified for the maximum tax deductions allowable under the United States Internal Revenue Code.

NOTE 17 – COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy, including the industries in which the Organization operates.

NOTE 18 – SUBSEQUENT EVENTS

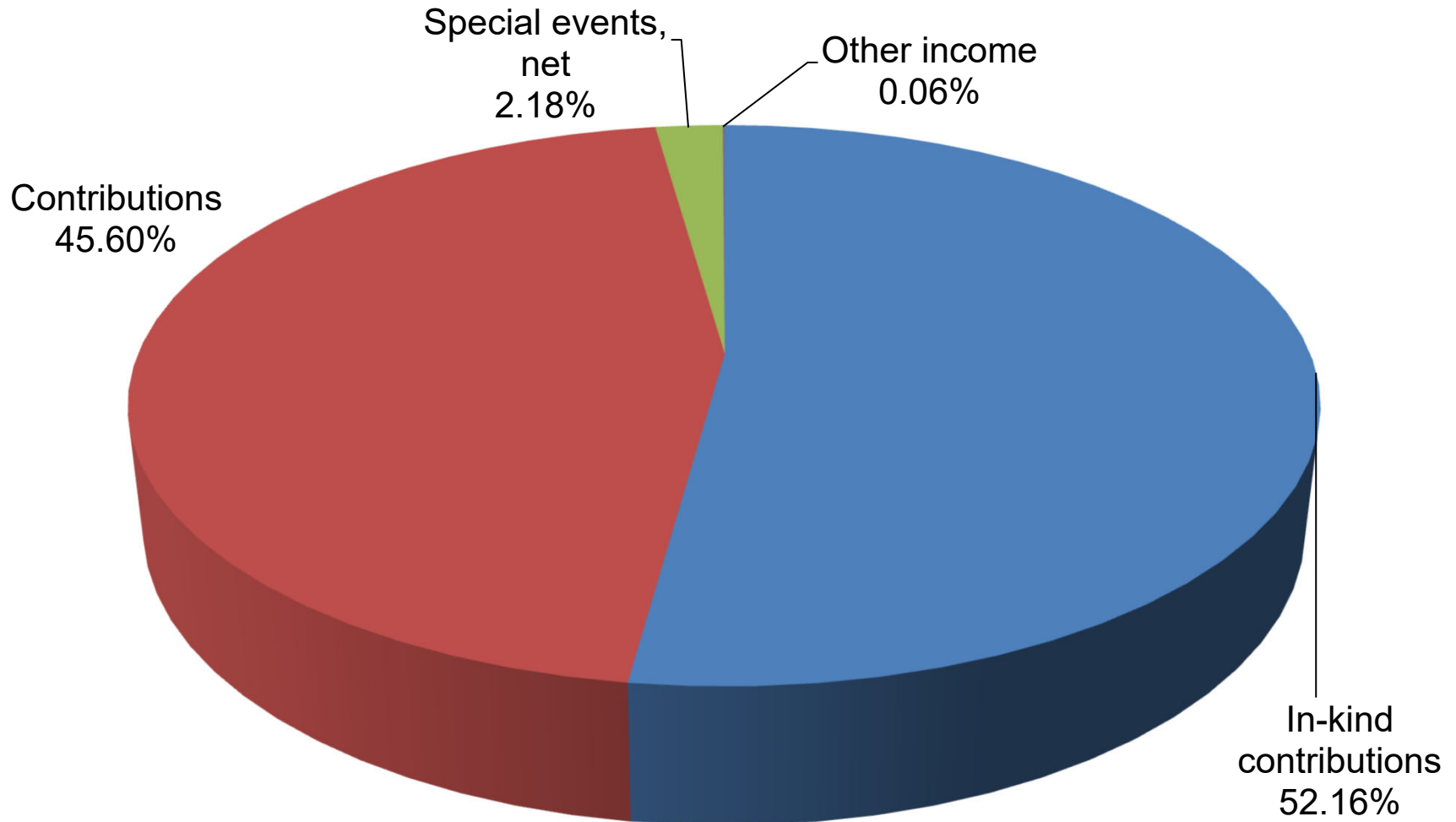
The Organization has evaluated subsequent events through December 3, 2020, the date the financial statements were available to be issued.

On November 4, 2020, the Organization was legally released from its PPP loan obligation (Note 7). The Organization will recognize \$365,200 of loan forgiveness income in the subsequent period.

SUPPLEMENTARY INFORMATION

Person-to-Person, Inc.

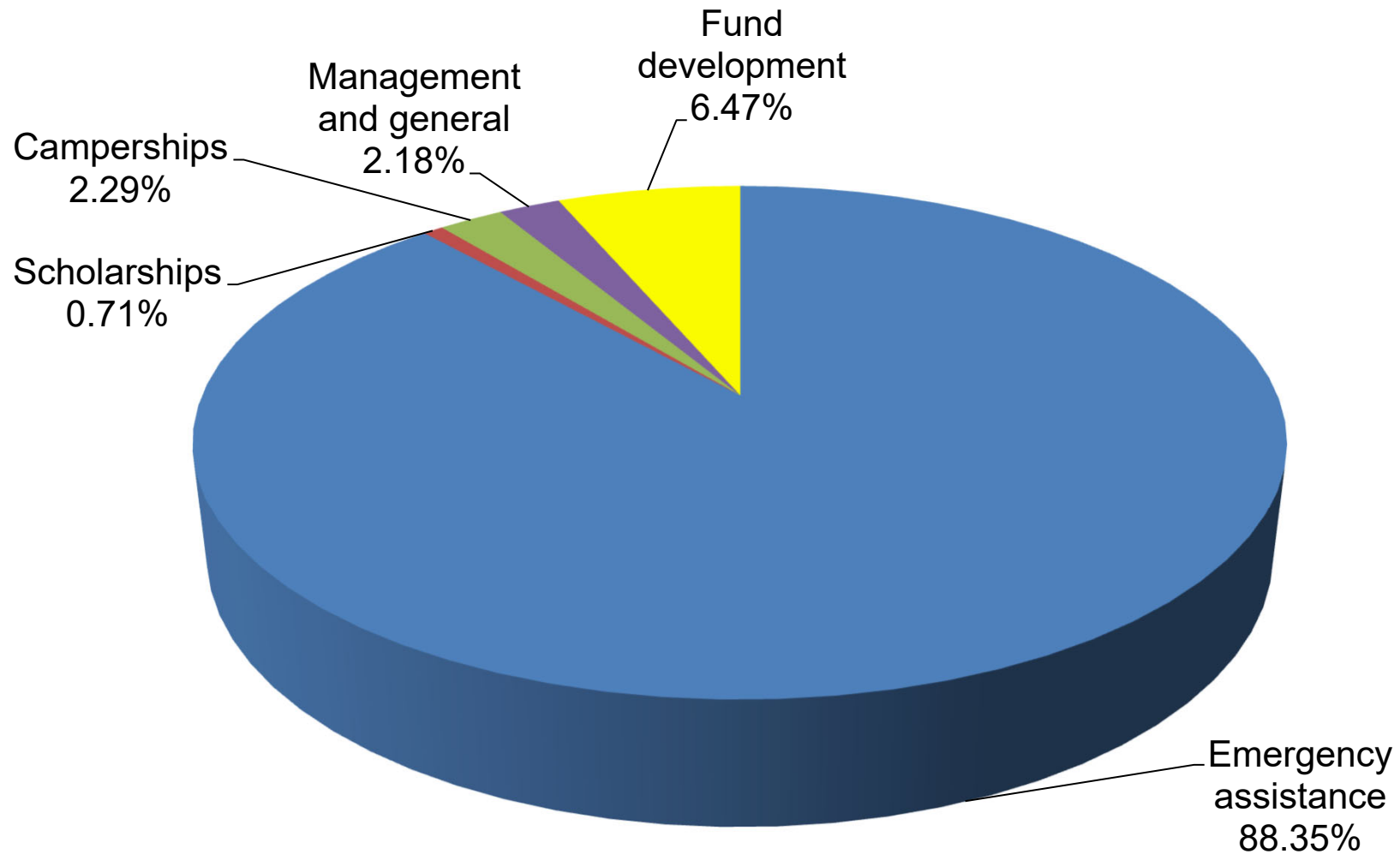
Income Distribution, without Investment Return
Six-month Period Ended June 30, 2020



See independent auditors' report.

Person-to-Person, Inc.

Functional Expense Distribution
Six-month Period Ended June 30, 2020



See independent auditors' report.