

People Incorporated of Virginia and Affiliates

Consolidated Financial Statements
and Supplementary Information

Year Ended June 30, 2024



WIPFLI

People Incorporated of Virginia and Affiliates

Year Ended June 30, 2024

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**PEOPLE INCORPORATED OF
VIRGINIA AND AFFILIATES
BOARD OF DIRECTORS**

SECTOR I – Client Sector

- | | | |
|-----|--|-----------------|
| 1. | Abingdon Terrace Apartment Resident | Jean Neal |
| 2. | Head Start Policy Council | David Maggard |
| 3. | Dante Community | Bobbie Gullett |
| 4. | Head Start Policy Council | Suprina Reedy |
| 5. | Section 8 Housing | David McCracken |
| 6. | Head Start – Parent | Rachel Phipps |
| 7. | VaCares | Christie Bailey |
| 8. | Valley Vista | Pam Sweeney |
| 9. | White Mill Apartments | Pam Horn |
| 10. | Sweetbriar Apartments | Kathy Lawson |
| 11. | Project Discovery | Lizzie Deel |
| 12. | Kings Mountain Supportive
Housing Community | Tommy Burriss |
| 13. | VACARES-
Greater Prince William | Jeffrey Frye |
| 14. | Luray Meadows Apartment Resident | Darlene Bland |
| 15. | East Ridge Apartments Resident | Billy P. Taylor |
| 16. | Culpeper Crossings Apartment Resident | Darlene White |

**PEOPLE INCORPORATED OF
VIRGINIA AND AFFILIATES
BOARD OF DIRECTORS**

SECTOR II – Government Sector

- | | | |
|-----|---|--------------------|
| 1. | Bristol City Council | Jake Holmes |
| 2. | Buchanan County (BOS) | Matt Fields |
| 3. | City of Manassas | Patrick Small |
| 4. | City of Manassas Park | Randi Knights |
| 5. | Clarke County | Matt Petterson |
| 6. | Culpeper County | Cathy M. Zielinski |
| 7. | Dickenson County | Peggy Kiser |
| 8. | Fauquier County
Board of Supervisors | Jan Selbo |
| 9. | Frederick County | Jennifer Parker |
| 10. | Page County
Board of Supervisors | Nina Fox |
| 11. | Rappahannock County
Board of Supervisors | Gail Crooks |
| 12. | Russell County
Board of Supervisors | Rhonda Lester |
| 13. | Shenandoah County
Board of Supervisors | Karl Roulston |
| 14. | Warren County
Board of Supervisors | Vacant |
| 15. | Washington County
Board of Supervisors | Phillip McCall |
| 16. | Prince William County
Board of Supervisors | Elijah Johnson |

**PEOPLE INCORPORATED OF
VIRGINIA AND AFFILIATES
BOARD OF DIRECTORS**

SECTOR III – Community Sector

- | | | |
|-----|--|------------------------|
| 1. | United Way of Northern Shenandoah Valley | VACANT |
| 2. | Prince William County Chamber of Commerce | Jinnae Monroe |
| 3. | Washington County | Mark Nelson |
| 4. | American Legion Post 114 Manassas VA | Larry Laws |
| 5. | Shenandoah County Healthy Families Treasurer | John Ayers |
| 6. | Southwest Virginia Legal Aid Society | Anita Robinson |
| 7. | Emory and Henry College | Jennifer Pearce |
| 8. | Town of Grundy Chamber of Commerce Chairperson | Chris Shortridge |
| 9. | Virginia Highlands Community College | Winona Fleenor |
| 10. | Human Services Alliance of GPW | Martina Jackson Green |
| 11. | Mauriertown Ruritans | Dennis Morris |
| 12. | The Christian Center Secretary | Alice D. Meade |
| 13. | Foothills Housing Network | Chris McGill |
| 14. | Culpeper Chamber of Commerce (Culpeper Dept. of Human Services) | Lisa Peacock, Director |
| 15. | Reaching Out Now | Teketia Smith |
| 16. | Frederick County Schools Early Childhood Education Specialist | Angie White |

**PEOPLE INCORPORATED OF
VIRGINIA AND AFFILIATES
BOARD OF DIRECTORS**

Executive Committee

1. Chris Shortridge, Buchanan County (Chair)
2. David McCracken, Washington County (Vice-Chair)
3. Alice Meade, Russell County (Secretary)
4. Jean Neal, Washington County (Assistant Secretary)
5. John Ayers, Shenandoah County (Treasurer)
6. Jan Selbo – Fauquier County
7. Tommy Burris – City of Bristol
8. Randi Knights – City of Manassas Park
9. Elijah Johnson – Prince William County
10. Lisa Peacock – Culpeper County
11. Phillip McCall – Washington County
12. Angie White – Frederick County
13. Cathy Zielinski – Culpeper County

People Inc. Financial Services

2023-2024

Board of Directors

1. Jan Selbo
2. David McCracken – **Secretary**
3. Charlotte Mullins - **Chairperson**
4. Shelia Combs Tuggle - **Treasurer**
5. Alice Meade
6. Billy Taylor – **Vice-Chair**
7. Chris Shortridge
8. William (Tripp) Butler
9. Tommy Burris - **Treasurer**
10. Peggy Kiser
11. Elijah Johnson
12. Mark Nelson

Independent Auditor's Report

Board of Directors
People Incorporated of Virginia and Affiliates
Abingdon, Virginia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of People Incorporated of Virginia and Affiliates ("People Inc."), a nonprofit organization, which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of People Incorporated of Virginia and Affiliates as of June 30, 2024, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audit 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*, 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 Consolidated Financial Statements section of our report. We are required to be independent of People Incorporated of Virginia and Affiliates and to meet our other ethical responsibilities, in accordance with the 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 audit opinions. The financial statements of People Incorporated Housing Group, Inc. and Subsidiaries were not audited in accordance with *Government Auditing Standards*.

Adjustments to Prior Period Financial Statements

As discussed in Note 23 to the consolidated financial statements, People Incorporated of Virginia and Affiliates has adjusted their 2023 consolidated financial statements to correct prior year reporting errors. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about People Incorporated of Virginia and Affiliates' ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 *Government Auditing Standards* 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 consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 People Incorporated of Virginia and Affiliates' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about People Incorporated of Virginia and Affiliates' 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 audit was conducted for the purpose of forming an opinion on the consolidated 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*, and the consolidating schedule of financial position and consolidating schedule of activities are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated in all materiality respects in relation to the consolidated 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 March 28, 2025 on our consideration of People Incorporated of Virginia and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 People Incorporated of Virginia and Affiliates' 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 People Incorporated of Virginia and Affiliates' internal control over financial reporting and compliance.



Wipfli LLP

Madison, Wisconsin

March 28, 2025

People Incorporated of Virginia and Affiliates

Consolidated Statement of Financial Position

As of June 30, 2024

ASSETS

Current assets:

Cash and cash equivalents	\$ 7,301,040
Grants receivable	3,332,285
Accounts receivable, net of allowance for credit losses of \$133,246	534,497
Interest receivable	88,077
Inventory	54,866
Prepaid expenses and other assets	552,164
Notes receivable, net of current portion	1,079,077

Total current assets	12,942,006
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Other assets:

Restricted cash	12,260,822
Right of use operating lease assets	274,147

Total other assets	12,534,969
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Property and equipment, net	107,197,144
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Long-term assets:

Notes receivable, net of allowance for credit losses of \$764,544 and current portion	4,127,534
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Total long term assets	4,127,534
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TOTAL ASSETS	\$ 136,801,653
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People Incorporated of Virginia and Affiliates

Consolidated Statement of Financial Position (Continued)

As of June 30, 2024

Total current liabilities:	
Notes payable, current portion	\$ 445,234
Mortgages payable, current portion	838,360
Operating lease liability, current portion	79,009
Accounts payable	1,442,944
Accrued payroll and related expenses	2,255,262
Security deposits and tenant payable	581,174
Accrued interest	328,490
Refundable advances	1,534,203
Total current liabilities	7,504,676
Long-term liabilities:	
Notes payable, net of current portion	3,656,404
Mortgages payable, net of current portion	47,873,933
Operating lease liability, net of current portion	196,028
Due to funding source	3,309,509
Total long-term liabilities	55,035,874
Total liabilities	62,540,550
Net assets:	
Without donor restrictions:	
Undesignated	41,161,084
Noncontrolling interest	27,324,866
Board designated - Reserve fund	2,829,828
Total net assets without donor restrictions	71,315,778
Net assets with donor restrictions	2,945,325
Total net assets	74,261,103
TOTAL LIABILITIES AND NET ASSETS	\$ 136,801,653

See accompanying notes to consolidated financial statements.

People Incorporated of Virginia and Affiliates

Consolidated Statement of Activities

<i>Year Ended June 30, 2024</i>	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Grant revenue	\$ -	\$ 18,584,067	\$ 18,584,067
New Market Tax Credit revenue	922,179	-	922,179
Closing fees	53,099	-	53,099
Contributions	101,973	-	101,973
Interest income	540,024	98,394	638,418
Rental income	8,207,642	-	8,207,642
Fee for service	203,396	-	203,396
Interest subsidy	570,751	-	570,751
Loss on sale of property and equipment	(205,164)	-	(205,164)
Other income	308,163	-	308,163
Non-cash contributions	369,263	-	369,263
Net assets released from restriction	18,489,811	(18,489,811)	-
Total support and revenue	29,561,137	192,650	29,753,787
Expenses:			
Program Services:			
Community Services	2,301,686	-	2,301,686
Community Economic Development	2,193,004	-	2,193,004
Children and Family Services	7,635,021	-	7,635,021
Housing	13,967,069	-	13,967,069
Workforce Development	2,241,326	-	2,241,326
Support Services:			
Management and general	5,252,140	-	5,252,140
Fundraising	492,163	-	492,163
Total expenses	34,082,409	-	34,082,409
Changes in net assets	(4,521,272)	192,650	(4,328,622)
Capital contributions	2,856,898	-	2,856,898
Net assets, beginning of year, as previously stated	64,283,362	6,236,117	70,519,479
Prior period adjustments	8,300,810	(3,483,442)	4,817,368
Net assets, beginning of year, as restated	72,584,172	2,752,675	75,336,847
Cumulative effect of change in accounting standard	395,980	-	395,980
Net assets, end of year	\$ 71,315,778	\$ 2,945,325	\$ 74,261,103

See accompanying notes to consolidated financial statements.

People Incorporated of Virginia and Affiliates

Consolidated Statement of Functional Expenses Year Ended June 30, 2024

	Community Services	Community Economic Development	Children & Family Services	Housing	Workforce Development	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,204,906	\$ 587,056	\$ 4,385,802	\$ 2,638,546	\$ 760,969	\$ 9,577,279	\$ 1,631,425	\$ 325,723	\$ 11,534,427
Fringe benefits	372,917	197,045	1,301,022	835,711	199,722	2,906,417	419,517	89,334	3,415,268
Travel	84,647	37,404	182,634	162,132	84,541	551,358	113,511	16,423	681,292
Material and supplies	105,191	31,297	717,317	774,031	177,678	1,805,514	154,493	5,908	1,965,915
Contractual	39,239	282,511	27,734	0	247,578	597,062	794,351	38,479	1,429,892
Maintenance	60,242	19,104	190,491	115,967	30,756	416,560	118,509	1,781	536,850
Occupancy	74,779	166,388	207,135	1,754,800	28,755	2,231,857	243,164	5,270	2,480,291
Insurance	18,400	5,822	97,365	634,805	35,800	792,192	295,611	1,219	1,089,022
Interest	0	46,351	0	1,822,589	0	1,868,940	107,757	0	1,976,697
Bad debts	0	788,052	0	131,089	0	919,141	186,773	0	1,105,914
Dues and licenses	5,978	0	15,039	89,660	733	111,410	38,564	369	150,343
Participant support costs	70,879	0	169,605	1,074,184	565,463	1,880,131	8,143	16	1,888,290
Other	136,003	31,974	13,720	213,790	59,320	454,807	0	87	454,894
Depreciation and amortization	29,664	0	59,867	3,716,633	50,011	3,856,175	1,140,322	7,554	5,004,051
In-kind expenses	98,841	0	267,290	3,132	0	369,263	0	0	369,263
Total Expenses	\$ 2,301,686	\$ 2,193,004	\$ 7,635,021	\$ 13,967,069	\$ 2,241,326	\$ 28,338,106	\$ 5,252,140	\$ 492,163	\$ 34,082,409

See accompanying notes to consolidated financial statements.

People Incorporated of Virginia and Affiliates

Consolidated Statement of Cash Flows

Year Ended June 30, 2024

Change in cash, cash equivalents, and restricted cash:

Cash flows from operating activities:

Change in net assets \$ (4,328,622)

Adjustments to reconcile change in net assets to cash flows from operating activities:

Loan loss provision 1,105,914

Depreciation and amortization 5,004,051

Non-cash lease expense 101,113

Amortization of debt issuance costs 94,906

Loss on sale of property and equipment 205,164

Changes in operating assets and liabilities:

Grants receivable (554,204)

Accounts receivable, net 201,959

Interest receivable 25,966

Inventory 11,309

Prepaid expenses and other assets 240,738

Accounts payable (457,749)

Operating lease liability (94,209)

Accrued payroll and related expenses 135,555

Accrued interest (129,886)

Security deposits and tenant payable (1,068,625)

Refundable advances 251,003

Due to funding source 3,150,000

Total adjustments 8,223,005

Net cash flows from operating activities 3,894,383

Cash flows from investing activities:

Proceeds from sale of property and equipment 529,630

Issuance of notes receivable (1,904,418)

Collection of notes receivable 1,339,786

Purchases of property and equipment (1,076,356)

Capital contributions 2,856,898

Net cash flows from investing activities 1,745,540

Cash flows from financing activities:

Due to funding source (633,393)

Proceeds from issuance of notes and mortgages payable 3,075,195

Principal payments on notes and mortgages payable (5,659,793)

Net cash flows from financing activities (3,217,991)

People Incorporated of Virginia and Affiliates

Consolidated Statement of Cash Flows (Continued)

Year Ended June 30, 2024

Net changes in cash, cash equivalents, and restricted cash	2,421,932
Cash, cash equivalents, and restricted cash beginning of year	17,139,930
Cash, cash equivalents, and restricted cash end of year	\$ 19,561,862
Reconciliation of cash, cash equivalents, and restricted cash:	
Cash and cash equivalents	\$ 7,301,040
Restricted cash	12,260,822
Total cash, cash equivalents, and restricted cash	\$ 19,561,862
Supplemental schedule of noncash investing activities:	
Purchases of property and equipment included in accounts payable at year-end	\$ 1,006,900
Supplemental schedule of other cash and non-cash activities:	
Interest paid	\$ 1,881,791
Right of use operating lease asset obtained in exchange for new operating lease liability	\$ 44,715

See accompanying notes to consolidated financial statements.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

People Incorporated of Virginia and Affiliates (PINC or People Inc.), is a Virginia non-profit corporation organized in 1964. Its purpose is to utilize public monies awarded for the good of the community through its various programs.

During the fiscal year ended June 30, 2024, People Inc. received approximately 63% of its total revenue from federal, state, and local government sources and 27% of its total revenue from rental income earned through subsidiaries of People Incorporated Housing Group, Inc.

People Incorporated Financial Services (PIFS) was organized as a non-profit corporation in 2000. PIFS is a certified Community Development Financial Institution that offers micro and small business loans, business training and technical assistance, consumer loans in low-income, primarily rural communities in Virginia, and equity-attracting New Market Tax Credits in low-income, primarily rural, communities in the Southeast United States.

People Incorporated Housing Group, Inc. (PIHG), is a Virginia not-for-profit organization. PIHG was organized as a non-profit corporation in 2004 to provide quality, affordable housing to low-income individuals. Its purpose is to utilize public monies awarded for the good of the community through its programs.

PIHG is the general partner for and holds a .009% ownership interest in the following entities:

Abingdon Green, LLC	Abingdon Terrace Apartments, LLC
Abingdon Village Apartments, LLC	Clinch View Manor Apartments, LLC
Jonesville Manor, LLC	Norton Green, LLC
Pulaski Village, LLC	Spruce Hill Apartments, LLC
Tom's Brook Apartments, LLC	West Lance Apartments, LLC

The following entities are wholly owned subsidiaries of PIHG, where the entities are the general partner for and hold a .009% ownership interest in the follow Low-Income Housing Tax Credit (LIHTC):

<u>Wholly Owned Subsidiary</u>	<u>LIHTC Entity</u>
Brunswick Management, LLC	Brunswick Manor Apartments, LLC
Culpeper Crossing Management, LLC	Culpeper Crossing, LLC
Dante Crossings Apartments Management, LLC	Dante Crossings, LLC
Deskens Apartments, LLC	Buchanan County Housing LP
Essex Manor Management, LLC	Essex Manor Apartments, LLC
Luray Meadows Management, LLC	Luray Meadows, LLC
Mill Point Apartments, Inc	White's Mill Point, LP
Millview Management, LLC	Millview Apartments, LLC
Pennington Gap Management, LLC	Pennington Gap Apartments, LLC
Rock School Management, Inc	Riverside Place Apartments, LLC
Sweetbriar Apartments Management, Inc	Sweetbriar, LP
Sweetbriar II Apartments Management, LLC	Sweetbriar II Apartments, LLC
Vista Apartments Management, Inc	Valley Vista Apartments, LLC

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Nature of Operations (Continued)

PIHG holds a 100% ownership interest in TNRD MM, LLC; TNRD MM, LLC holds a .009% ownership interest in TNRD Portfolio, LLC as a general partner. TNRD Portfolio, LLC owns 100% of the following LIHTC properties located in Tennessee:

Baileyton Terrace Owner, LLC
Jamestown Village Owner, LLC
Newport Village Owner, LLC

Greeneville Owner, LLC
Mountain City Manor, LLC
Tazewell Village Owner, LLC

Lightfoot Apartments, LLC (Lightfoot) and White's Mill Point II, LLC (WMPH) are wholly owned subsidiaries of PIHG. The purpose of these subsidiaries is to invest in low-income housing tax credit projects to assist low- to moderate-income families and seniors with affordable housing. Lightfoot and WMPH are the general partners in the Lightfoot Apartments, LP and White's Mill Point II, LP partnerships, respectively, where unrelated partners hold the limited partner interest and have substantive participating rights in the partnerships during the construction phase, resulting in these limited partnerships not being consolidated during the year ended June 30, 2024. These limited partnerships will be consolidated when construction is completed and People Incorporated Housing Group has the option of first refusal to acquire the LIHTC and has determined that it appears to be prudent and feasible that they will exercise that option at the end of the compliance period.

During the year ended June 30, 2024, and effective as of December 31, 2023, PINC acquired the limited partnership interest of the following LIHTC entities:

Abingdon Green, LLC
Pulaski Village, LLC

Norton Green, LLC
Sweetbriar, LP

After these acquisitions, PIHG was the .009% general member/partner and People Inc. was the 99.991% limited member/partner. These entities were previously consolidated with PIHG; therefore, these were not treated as acquisitions during the year ended June 30, 2024.

No consideration was exchanged as part of the acquisition of limited partnership interests during the year ended June 30, 2024.

The investments in the underlying LIHTC's have been consolidated in accordance with the consolidation guidance contained in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2017-02, *Not-for-Profit Entities - Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That Is a General Partner or Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity*.

Basis of Presentation

The accompanying consolidated financial statements of People Inc. are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Consolidation

The consolidated financial statements include People Incorporated of Virginia and all of its wholly owned subsidiaries listed above. The partnerships for which the wholly owned subsidiary has a general partner interest and management has determined that it is prudent and feasible to exercise the option to acquire the partnership when the investor exits has also been consolidated in accordance with the consolidation guidance in ASU 2017-02. All material inter-entity transactions and accounts are eliminated in consolidation. Collectively, the entities are referred to as "People Inc."

Classification of Net Assets

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets without donor restrictions – board designated: Net assets may be designated for specific purposes by the board of directors. The board of directors has designated, from net assets without donor restrictions, a reserve fund.

Net assets without donor restrictions – non-controlling interest: Net assets attributable to noncontrolling interest represent the equity interest of outside owners in the consolidated Low Income Housing Tax Credit (LIHTC) Partnerships. These interests are reported as separate components of People Inc.'s net assets.

Net assets with donor restrictions: Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of the accompanying consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, People Inc. considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Inventory

Inventory consists of materials and supplies held for use in the Weatherization program. Inventory is stated at the lower of cost (first-in, first-out method) or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predicted costs of completion, disposal, and transportation.

Accounts Receivable

Beginning July 1, 2023, the carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the current expected credit losses. The estimate of the allowance for credit losses is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and expected changes during a reasonable and supportable forecast period. People Inc. uses an aging method to estimate allowances for credit losses. Management assesses collectability by pooling receivables with similar risk characteristics and evaluates receivables individually when specific customer balances no longer share those risk characteristics. The allowance for credit losses was \$133,246 as of June 30, 2024. Subsequent recoveries, if any, are reported as charge off recovery income on the consolidated statement of activities.

Change in Accounting Principle - CECL

Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, requires People Inc. to present financial assets measured at amortized cost (including accounts receivables) at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses are based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts.

People Inc. adopted ASU No. 2016-13 on July 1, 2023. The cumulative effect adjustment at July 1, 2023 was \$395,980. Results for the year ended June 30, 2024, are presented under Accounting Standards Codification (ASC) 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. See Allowance for Credit Losses and Accounts Receivable policy disclosures for changes to accounting policies.

Notes Receivable

PIFS underwrites and processes loan applications, processes funding, and holds and services the loan in the portfolio. Terms and rates vary depending upon the borrower's capital requirements and management's assessment of risk. Allowance for credit losses are based on management's review of portfolio performance. Notes are secured by the borrower's collateral.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Notes Receivable (Continued)

Management has the intent and ability to hold all loans for the foreseeable future or until maturity or pay-off. Management has reported the loans at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are recognized as income or expense when received or incurred since capitalization of these fees or costs would not have a significant impact on the financial statements.

At such time when a loan is determined to be past due, the interest-bearing loans can be placed on nonaccrual status. The determination of past due loans for purposes of placing on nonaccrual status is made on a case-by-case basis. Interest accrued, but not collected for loans that are placed on nonaccrual status, is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses

Effective July 1, 2023, PIFS uses a current expected credit loss (“CECL”) model to estimate the allowance for credit losses on loans. The CECL model considers historical loss rates and other qualitative adjustments, as well as a new forward-looking component that considers reasonable and supportable forecasts over the expected life of each loan. To develop the allowance for credit losses estimate under CECL, PIFS segments the loan portfolio into loan pools based on loan type and similar credit risk elements and adjusts for forecasted macro-level economic conditions and other anticipated changes in credit quality; and determines qualitative adjustments based on factors and conditions unique to the Organization's loan portfolios. Management evaluates substantially all collectively evaluated loans using the remaining life model.

Under the CECL model, loans that do not share similar risk characteristics with loans in their respective pools are individually evaluated for expected credit losses and are excluded from the collectively evaluated loan credit loss estimates. Management individually evaluates its loans receivable for evidence of credit deterioration. For loans individually evaluated, a specific reserve is estimated based on either the fair value of the collateral (if applicable) or the discounted value of expected future cash flows. See Note 8 for more information.

The allowance for credit losses is a valuation allowance for probable incurred credit losses based on an evaluation of the outstanding loans.

Credit losses are charged against the allowance when management believes the collectability of the principal is unlikely. Subsequent recoveries, if any, are reported as charge-off recovery income on the consolidated statement of activities.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses (Continued)

A loan is considered impaired when, based on current information and events, it is probable that PIFS will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the amount owed.

Impairment is measured on a loan-by-loan basis for loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the fair value of the collateral as of the date of the consolidated statement of financial position, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of collateral. Business and consumer loans are generally secured by the related inventory, autos, or the business to which the loans relate.

Property and Equipment

Property and equipment are capitalized at cost or, if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset as noted below:

Buildings and building improvements	20 - 40 years
Equipment, vehicles, furniture and appliances	5 - 20 years

People Inc. capitalizes property and equipment with a value greater than or equal to \$5,000 and a useful life of greater than one year.

Construction in progress is not depreciated until the project is completed and the related assets have been placed in service. The balance consists of buildings and building improvements in process at the end of the year.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

Property and equipment purchased with grant funds are owned by People Inc. while used in the program for which it was purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds there from, is subject to funding source regulations. The property and equipment purchased with grant funds are normally restricted for use in specific programs operated by People Inc. The net book value of grant-funded property and equipment included on the consolidated statement of financial position is \$3,394,642 at June 30, 2024.

Lease Accounting

People Inc. is a lessee in multiple noncancelable operating leases. If the contract provides People Inc. the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right of use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The discount rate used is the implicit rate in the lease contract if it is readily determinable. People Inc. has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized.

For all underlying classes of assets, People Inc. has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that People Inc. is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. People Inc. recognizes short-term lease cost on a straight-line basis over the lease term.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Tax Status

People Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Virginia franchise or income tax. The wholly owned LLCs previously listed are single member LLCs and, therefore, treated as disregarded entities for tax purposes. The wholly owned corporations are taxable as corporations and file returns for federal and state income tax purposes.

The low-income housing tax credit projects are treated as partnerships for income tax reporting. In accordance with the generally accepted method of presenting partnership financial statements, the financial statements of the consolidated underlying affordable housing projects previously discussed do not include the assets and liabilities of the partners, including their rights to the refunds on their share of the net loss of the partnership, nor any provision for income tax refunds.

People Inc. is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. People Inc. has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Revenue Recognition

Grant and Contributions Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identification of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Grant and Contributions Revenue (Continued)

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards That Are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the conditions in the award are satisfied. Amounts received in excess of expense or assets acquisition is reflected as a refundable advance.

B. Grant Awards That Are Exchange Transactions

Exchange transactions are reimbursed based on a predetermined rate for services performed in accordance with the terms of the award. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Rental Income

Rental income is from residential or commercial leases as well as leases for use of affordable housing property that are operating leases. Rental income is recorded when due, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly.

Interest Subsidy

Interest subsidy is earned based on agreements between PIHG and Rural Housing Services, which reduces the interest rate over the term of the loan. The interest subsidy is treated as income and interest expense.

Other Income

Other income includes fees for late payments, cleaning, damages, storage, parking, laundry facilities, and other charges and is recorded when earned.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Contract Revenue

People Inc. recognized revenue from exchange transactions from contracts with customers for New Market Tax Credit (NMTC) revenue and closing fees. These are exchange transactions that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition with a focus on the transfer of control of promised goods or services to a customer. People Inc. reported the following exchange transaction revenue in its consolidated statement of activities for the year ended June 30, 2024:

NMTC	\$	922,179
Closing Fees		53,099
Fee for service - Childcare fees		203,396
<hr/>		
Total	\$	1,178,674

NMTC revenue and closing fees are recognized upon successful closing of the project and disbursement of loan proceeds to the Qualified Active Low-Income Community Business. People Inc. considers the performance obligation to be the successful closing of the project.

Childcare fees - People Inc. recognized revenues from childcare fees of \$203,396 in 2024. People Inc. offers extended care before and after school at one location to families participating in its Head Start program. Contract terms are established when parents enroll their child in the program using a childcare contract form. Pricing is established based on the age of the child, hours needed per day, and if enrolled on a full-time or part-time basis. Families are responsible for paying for blocks of care in weekly increments and can cancel care with two weeks' notice.

People Inc. determined at June 30, 2024 that there were no services provided without a contract in place and, therefore, has no expected adjustments to receivables and revenue. There were \$158,026 in receivables from contracts with customers at July 1, 2023 and \$50,304 of such receivables as of June 30, 2024.

The following is an analysis of the timing of revenue recognized during the year ended June 30, 2024:

Revenue recognized at a point in time	\$	1,178,674
<hr/>		
Total	\$	1,178,674

There are no contract assets or contract liabilities at July 1, 2023 and June 30, 2024.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

People Inc. reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. People Inc. has not recognized any impairment of long lived assets during 2024.

Deferred Financing Costs

Permanent loan costs related to issuance of long-term debt is amortized over the life of the related debt using the straight-line method, which approximates the effective interest method. Net deferred financing costs as of June 30, 2024, was \$1,148,347, with accumulated amortization of \$486,290. Amortization expense was \$94,906 during 2024.

Tenant Security Deposits

People Inc. collects security deposits from each tenant to provide for costs incurred or unpaid rent when a tenant vacates the apartment. The cash collected is kept separate from operating funds and interest is paid on the security deposits in accordance with the lease agreement. Tenant security deposits of \$529,070 at June 30, 2024 are included in security deposits and tenant payable on the consolidated statement of financial position.

Non-Cash Contributions

People Inc. has recorded non-cash contributions for supplies, facilities, and professional volunteer time and services used in operation of programs in the consolidated statement of activities in accordance with a financial accounting standards which requires only contributions of services received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. People Inc. received contributions of nonprofessional volunteers during the year with a value of \$1,096,406, primarily for its Head Start programs, which are not recorded in the consolidated statement of activities.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and the consolidated statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Salaries and wages and fringe benefits are allocated based on time and effort. Occupancy and related costs are allocated based on square footage. Certain contractual costs such as audit fees and other professional fees are allocated to management and general.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Indirect Cost Rate Allocation

Joint costs are allocated to benefiting programs using an indirect cost rate. Joint costs are those costs incurred for the common benefit of all of PINC's programs that cannot be readily identified with a final cost objective. A provisional indirect cost rate has been approved by the U.S. Department of Health and Human Services (DHHS). The rate is based upon a percentage of modified total direct costs. A provisional rate of 11% was approved for the period of July 1, 2023 through June 30, 2024.

Subsequent Events

People Inc. has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through March 28, 2025, which is the date the consolidated financial statements were available to be issued.

Note 2: Concentration of Credit Risk

People Inc. maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. A portion of the cash for PIFS and PIHG is maintained in a consolidated bank account with PINC. People Inc. maintains other bank accounts based on fund requirements. At certain times during the year, cash balances may be in excess of FDIC coverage. People Inc. has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash. Small Business Administration contracts require People Inc. to maintain separate bank accounts. The paid time off trust account is maintained in a financial institution trust account for the purpose of funding the compensated absences for the Head Start program. This account is not subject to FDIC coverage.

Note 3: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following as of June 30, 2024:

Cash and cash equivalents	\$ 7,301,040
Accounts receivable, net	534,497
Interest receivable	88,077
Notes receivable, current, net	1,079,077
<hr/>	
Subtotal financial assets	9,002,691
Less: Refundable advances included in financial assets	(251,003)
Less: Due to funding source included in financial assets	(3,150,000)
Less: Board designated - Reserve fund included in financial assets	(2,829,828)
<hr/>	
Total	\$ 2,771,860

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 3: Liquidity and Availability of Financial Resources (Continued)

Grants receivable are not included in total available financial assets since those funds are to be utilized for payments of the related grant expenses. People Inc. does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash and cash equivalents. People Inc. strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. A significant source of funding for People Inc. is through cost reimbursement grants. Under cost reimbursement grants, an organization can request reimbursement from the funding source. In addition, People Inc. has grant commitments available for future expenses of approximately \$7,826,000 as further described in Note 20. Amounts not available include a board-designated reserve fund. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution as further described in Note 16.

Note 4: Restricted Cash and Funded Credit Loss Reserve Requirements

PIHG owns properties that are financed with loans and other funding from the Department of Housing and Community Development and U.S. Department of Agriculture. The loans and other funding require that cash balances be maintained that are restricted for specific purposes as noted below. PIHG maintains balances related to security deposits on rental properties. In addition, PINC maintains restricted cash for Head Start paid time off (PTO) and Heartwood reserve funds and PIFS operates lending programs with funding from the United States Small Business Administration, which requires cash to be maintained in a separate account. The restricted cash balances at June 30, 2024, are as follows:

Replacement reserve - PIHG	\$ 2,594,602
Operating reserve - PIHG	2,860,735
Security deposits - PIHG	600,985
Other reserves - PIHG	2,354,344
Escrow reserves - PIHG	1,214,352
Heartwood reserve fund - PINC	1,283,200
Head Start paid time off trust account - PINC	396,683
Lending program reserve - PIFS	955,921
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Total	\$ 12,260,822

PINC maintains a reserve fund received from the Southwest Virginia Cultural Heritage Commission to be used for repairs and maintenance for the Heartwood Artisan Center. See Note 13 for more information. PINC has established a trust to fund its Head Start PTO accrual which is included in restricted cash as well.

PIFS operates lending programs with funding from the United States Small Business Administration (SBA), which requires cash to be maintained in a separate account. In addition to the funded credit loss reserve disclosed below, there is restricted cash of \$535,269 related to the SBA program, which consists of proceeds from repaid loans that are required to be re-loaned as part of the SBA lending programs.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 4: Restricted Cash and Funded Credit Loss Reserve Requirements (Continued)

The SBA Microloan loan agreement requires that PIFS maintains a funded credit loss reserve at a minimum of 15% of the total outstanding principal amount due on all current microloan program loans receivable. PIFS is also required to charge against the credit loss reserve any loans receivable originating under the microloan program once a scheduled payment has remained unpaid for 120 days.

The principal amount of loans receivable under the microloan program was \$1,664,350 at June 30, 2024. The minimum credit loss reserve was \$249,653 and the actual amount in the funded credit loss reserve amounted to \$420,652, which was in excess of the requirement at June 30, 2024 and is reported in restricted cash.

Note 5: Grants Receivable

Grants receivable represents the following amounts due from the various funding sources as of June 30, 2024:

Federal and state	\$ 3,238,967
Other	93,318
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Total	\$ 3,332,285

Note 6: Property and Equipment

A summary of property and equipment is as follows as of June 30, 2024:

Land	\$ 7,139,471
Land improvements	4,323,385
Buildings	114,196,030
Building improvements	18,878,536
Furniture and appliances	3,713,867
Vehicles	3,452,250
Software	21,900
Construction in progress	2,336,853
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Subtotal	154,062,292
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Less: Accumulated depreciation and amortization	(46,865,148)
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Total	\$ 107,197,144

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 6: Property and Equipment (Continued)

People Inc entered into an agreement with the Southwest Virginia Cultural Heritage Commission (“the Commission”) to oversee the construction of the Heartwood Artisan Center in Abingdon, Virginia. Upon completion of construction in July 2011, People Inc. assumed complete ownership of the building and its improvements. People Inc. has a 30-year lease from the Commission on the 8-acre tract of land on which the building is situated and has a lease to the Commission for the building with the same 30-year term. The lease was determined to be short term in nature due to either party having the ability to cancel the agreement with six months notice. The depreciated value of the building at June 30, 2024 was \$7,333,701, which is included in Buildings as disclosed above.

Note 7: Lessor Activity

PIHG owns housing projects that are a mix of low- to moderate-income housing facilities. Leases are all for one year or less. A summary of the acquisition costs and accumulated depreciation on the above properties is as follows as of the year ended June 30, 2024:

Land	\$ 6,347,798
Land improvements	4,323,385
Buildings	92,338,848
Building improvements	17,972,620
Furniture and appliances	2,437,152
<hr/>	
Subtotal	123,419,803
Less Accumulated depreciation	(31,544,183)
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Total	\$ 91,875,620

Rental income on the housing projects for the year ended June 30, 2024, was \$7,938,351, which consists of \$4,824,272 of direct rental income and \$3,114,079 of rental assistance. Rental income earned by PINC for the year ended June 30, 2024 was \$269,291, which consists of direct rental income through owned properties.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 8: Notes Receivable

PIFS operates programs that provide low- or no-interest deferred or installment loans to assist low-income business owners or businesses to promote economic development for disadvantaged borrowers. The loans have varying terms and security, dependent on the source and circumstance, appropriate to the loan.

Notes receivable at June 30, 2024, consisted of the following:

U.S. Treasury

Represents money due the program from loans made to small businesses and consumers throughout Virginia. The notes have terms ranging from one to six years and bear interest at rates ranging from 6.25% to 8.25%. \$ 619,178

CDFI Rapid Response/Equitable Recovery Program

Represents money received through a grant to provide loans to businesses and consumers in response to the COVID pandemic. The notes have terms ranging from one to ten years and bear interest at rates ranging from 4.50% to 7.50%. 1,405,319

SBA Microloan # 6085855005

Represents money due the program from loans made to small businesses with terms ranging from three to six years and bear interest at rates ranging from 6.25% to 8.25%. 1,503

SBA Microloan # 9394915007

Represents money due the program from loans made to small businesses with terms ranging from three to six years and bear interest at rates ranging from 6.25% to 8.25%. 315,815

SBA Microloan # 3644897002

Represents money due the program from loans made to small businesses with terms ranging from three to six years and bear interest at rates ranging from 6.25% to 8.25%. 489,206

SBA Microloan # 6373458209

Represents money due the program from loans made to small businesses with terms ranging from three to six years and bear interest at rates ranging from 6.25% to 8.25%. 857,826

Bristol Revolving Loan Fund

Terms ranging from thirty months to five years and bear interest ranging from 0% to 6.25%; the loans were made to small businesses located in the City of Bristol, Virginia and Bristol, Tennessee. 3,804

Rural Microenterprise Assistance Program

Terms ranging from two to six years and bear interest at 6.25%; the loans were made to small businesses throughout PIFS' service areas in Virginia. 34,803

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 8: Notes Receivable (Continued)

Deutsche Bank

PIFS was selected by Deutsche Bank to participate in its CDFI Partners Program. PIFS was approved for a loan of up to \$250,000 for use in PIFS' economic development program. Amount represents money due the program from loans made to consumers with terms of five years and bearing interest at 8.25%.

\$ 375

Friends of Southwest Virginia (Heartwood)

Represents money due the program from loans made to Friends of Southwest Virginia. The loans are secured by reserve funds held by PIFS for the Heartwood Artisan Center. The loans bear interest at the rate of .25%.

644,970

Offices of Community Services

PIFS received grant funding in the amount of \$750,000 to fund the establishment of the Community Action Financial Institute. Amount represents money due the program from a loan made to the Community Action Financial Institute. Note A in the amount of \$450,000 bears interest at .5% and is due on December 31, 2029. Note B in the amount of \$150,000 bears interest at .5% and may be subject to forgiveness on the maturity date if no default events occur during the term of the loan. On August 8, 2019, PIFS accepted a note with another Community Action Agency in exchange for full payoff of Note A. The note with the Community Action Agency bears interest at 1%; all other terms remain the same.

600,000

General Loan Pool

Terms of five to ten years and bear interest ranging from 0% to 7.5%.

620,074

Payday Lending Loans

Terms of one to two years and bear interest at 14.95%.

310

Appalachian Community Capital Fund

PIFS borrowed \$500,000 from Appalachian Community Capital to establish a fund for small businesses in the Appalachian region. Terms of three to six year and bear interest at 7.5%.

377,972

Subtotal

5,971,155

Allowance for credit losses

(764,544)

Notes receivable, net

5,206,611

Less - current portion

(1,079,077)

Notes receivable, net - Long-term

\$ 4,127,534

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 8: Notes Receivable (Continued)

Revolving loan classifications at June 30, 2024 consist of the following:

Business	\$ 4,660,705
Consumer	1,310,450
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Subtotal	5,971,155
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Allowance for credit losses - Business	(244,787)
Allowance for credit losses - Consumer	(519,757)
<hr/>	
Total	\$ 5,206,611
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Detailed analysis of the allowance for credit losses for the year ended June 30, 2024, is as follows:

Balance at beginning, as previously stated	\$ 1,133,311
Cumulative effect of change in accounting standard - CECL	(395,980)
Loans charged off	(687,642)
Provision for credit losses	714,855
<hr/>	
Balance at end	\$ 764,544
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Allowance for credit losses:	
Individually evaluated for impairment	\$ 495,285
Collectively evaluated for impairment	269,259
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Total	\$ 764,544
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Bad debt expense related to accounts receivable was \$391,059 for the year ended June 30, 2024.

Detailed analysis of loans evaluated for impairment for the year ended June 30, 2024, is as follows:

	Business	Consumer	Total
Loans:			
Individually evaluated for impairment	\$ 152,298	\$ 342,987	\$ 495,285
Collectively evaluated for impairment	4,508,407	967,463	5,475,870
<hr/>			
Total	\$ 4,660,705	\$ 1,310,450	\$ 5,971,155
<hr/>			
Related allowance for credit losses:			
Individually evaluated for impairment	\$ 152,298	\$ 342,987	\$ 495,285
Collectively evaluated for impairment	92,489	176,770	269,259
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Total	\$ 244,787	\$ 519,757	\$ 764,544
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People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 8: Notes Receivable (Continued)

The following is a summary of information pertaining to impaired and nonperforming loans as of June 30, 2024:

Impaired loans with an allowance for credit loss	\$ 495,285
Total impaired loans	\$ 495,285
Allowance for credit losses related to impaired loans	\$ 495,285
Total nonaccrual loans	\$ -
Average investment in impaired loans	\$ 5,384
Interest income recognized on impaired loans	\$ 38,626

Information regarding the credit quality indicators most closely monitored as of June 30, 2024, is as follows:

	Performing	Non performing	Total
Credit exposure:			
Business	\$ 4,508,407	\$ 152,298	\$ 4,660,705
Consumer	967,463	342,987	1,310,450
Total	\$ 5,475,870	\$ 495,285	\$ 5,971,155

Loan aging information for nonperforming loans for PIFS for the year ended June 30, 2024, is as follows:

	31-60 days	60-90 days	90+ days	Total past due loans
Business	\$ 8,078	\$ 8,019	\$ 132,870	\$ 148,967
Consumer	18,593	18,649	189,828	227,070
Total	\$ 26,671	\$ 26,668	\$ 322,698	\$ 376,037

When, for economic or legal reasons related to the borrower's financial difficulties, People Inc. grants concessions to borrowers and a loan modification may be offered. Loan modifications may consist of interest-only payments for a period of time, extending amortization terms, a reduction of the interest rate, and/or forgiveness of interest and/or principal.

There were no modifications of loans classified as troubled debt restructurings during the year ended June 30, 2024.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 9: Leases

People Inc. leases warehouses and office space. The leases entered into include one or more options to renew. The renewal terms can extend the lease term from one to two years. The exercise of lease renewal options is at People Inc.'s sole discretion. Renewal option periods are included in the measurement of the ROU asset and lease liability when the exercise is reasonably certain to occur.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

People Inc.'s lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments.

Components of lease expense were as follows for the year ended June 30, 2024:

Lease cost	
Operating lease cost	\$ 93,025
Total lease cost	\$ 93,025

Supplemental cash flow information related to leases is as follows for the year ended June 30, 2024:

Operating cash flows from operating leases	\$ 90,848
Weighted-average remaining lease term - Operating leases, in years	4.2
Weighted-average discount rate - Operating leases	3.06 %

Maturities of lease liabilities are as follows as of June 30, 2024:

2025	\$ 85,969
2026	66,467
2027	58,401
2028	48,796
2029	18,966
Thereafter	13,500
Total lease payments	292,099
Less imputed interest	(17,062)
Total	\$ 275,037

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 9: Leases (Continued)

During the year ended June 30, 2024, People Inc. signed a lease agreement for space at Lovers Lane in Culpeper, Virginia that did not commence until July 1, 2024. The term for this lease is 5 years (with a 3-year renewal option) and the monthly payments will begin at \$4,300 per month starting July 1, 2024 and the monthly payments will increase each year thereafter. The minimum rent payments total \$288,404 over the initial 5 year lease term.

The right of use asset and obligation related to this lease are not reported in the June 30, 2024 financial statements since the lease commencement date is July 1, 2024.

Note 10: Notes Payable

Notes payable obligations consist of the following as of June 30, 2024:

People Inc

Purchase of an office building in Woodstock, VA. Note is in the amount of \$868,000 to be used for purchase and renovation. Term of note is 20 years with a five year balloon. Interest only payments accumulating at 6.00% for the first 12 months with monthly payments thereafter of \$3,096. \$ 691,883

Purchase of an office building in Abingdon, VA. The note has a 30 year amortization with interest payable at 4.00%. 576,090

Financing of renovations of affordable housing buildings. The note is for a period of ten years with an interest rate of 4.5%. Principal payments began in October 2016. 26,406

Financing of an office building in Grundy, VA. The note has a 20 year amortization with interest payable at the 5 year Treasury rate plus 2.45%. Principal and interest payments began in April 2006. The note was refinanced in April 2011. 84,914

PIFS

Microloan Program loan from the U.S. Small Business Administration. The note has a 10-year amortization with varying interest with the current rate at 0.09%. Principal payments began in July 2018. 340,376

Microloan Program loan from the U.S. Small Business Administration. The note has a 10-year amortization with varying interest with the current rate at 0.09%. Principal payments began in December 2021. 590,921

Program loan from Sachs Family Foundation. The note is for a period of three years with an interest rate of 3.25% and can be used for originating loans in Virginia. Interest only payments begin in September 2023. 500,000

Program loan from Appalachian Community Capital. The loan is for a period of three years with an interest rate of 3.65% and can be used for originating loans to small businesses in the Appalachian Region. Interest only payments began October 2022. 500,000

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 10: Notes Payable (Continued)

Microloan Program from the U.S. Small Business Administration. The note has a 10-year amortization with varying interest with the current rate at 0.50%. Principal payments began October 2020.

\$ 791,048

Subtotal	4,101,638
Less: Notes payable, current portion	(445,234)

Notes payable, net of current portion	\$ 3,656,404
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Annual requirements to amortize long-term debt are as follows for the years ended June 30:

2025	\$ 445,234
2026	938,305
2027	398,970
2028	783,224
2029	505,201
Thereafter	1,030,704

Total	\$ 4,101,638
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Interest expense incurred on notes payable for the year ended June 30, 2024 was \$135,294.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 11: Mortgages Payable

Mortgages payable, all of which are secured by property or real estate owned by PIHG, are as follows at June 30, 2024:

The following naming conventions are used in the below table:

- Community Development Fund (CDF)
- Virginia Housing Development Authority (VHDA)
- Department of Housing and Community Development (DHCD)
- Rural Housing Service (RHS)

	Interest Rate	Term/Due Date	Monthly Payments	Current	Long-Term	Total
<u>Abingdon Green</u>						
VHDA Note Payable	4.05 %	06/01/2045	\$ 312	\$ 1,632	\$ 51,269	\$ 52,901
DHCD Note Payable	- %	05/28/2025	-	170,545	-	170,545
RHS Note Payable	9.50 %	05/31/2039	2,167	24,940	756,357	781,297
<u>Abingdon Terrace</u>						
DHCD Note Payable	- %	07/01/2030	-	-	374,000	374,000
RHS Note Payable	4.00 %	02/17/2044	1,742	7,974	747,809	755,783
<u>Abingdon Village</u>						
DHCD Note Payable	- %	07/01/2030	-	-	425,000	425,000
RHS Note Payable	3.13 %	12/31/2050	2,254	8,130	601,001	609,131
<u>Baileyton Terrace</u>						
Churchill Mortgage Investment, LLC	4.40 %	12/01/2059	8,907	21,087	1,940,258	1,961,345
RHS Note Payable	3.00 %	12/31/2049	-	-	1,163,294	1,163,294
<u>Brunswick Manor</u>						
VHDA Note Payable	- %	11/02/2033	-	-	700,000	700,000
RHS Note Payable	2.88 %	11/30/2046	4,003	14,431	1,161,981	1,176,412

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 11: Mortgages Payable (Continued)

	Interest Rate	Term/Due Date	Monthly Payments	Current	Long-Term	Total
<u>Clinch View Manor</u>						
DHCD Note Payable	- %	10/27/2029	\$ -	\$ -	\$ 358,980	\$ 358,980
RHS Note Payable	3.13 %	06/26/2041	4,472	16,359	1,182,957	1,199,316
<u>Culpeper Crossing</u>						
VHDA Note Payable	0.18 %	09/01/2051	10,256	80,939	2,177,261	2,258,200
<u>Dante Crossing</u>						
VHDA Note Payable	2.75 %	07/01/2045	1,013	6,898	186,845	193,743
DHCD Note Payable	- %	05/06/2030	-	-	304,000	304,000
<u>Essex Manor Apartment</u>						
VHDA Note Payable	2.95 %	07/01/2050	\$ 1,114	\$ 6,301	\$ 236,792	\$ 243,093
DHCD Note Payable	- %	06/08/2050	-	-	700,000	700,000
RHS Note Payable	3.75 %	12/17/2048	4,893	11,325	1,257,758	1,269,083
<u>Greenville Landing</u>						
Churchill Mortgage Investment, LLC	4.40 %	12/01/2059	7,356	17,352	1,602,466	1,619,818
RHS Note Payable	3.00 %	12/01/2059	-	-	1,041,303	1,041,303
<u>Jamestown Village</u>						
Churchill Mortgage Investment, LLC	4.40 %	12/31/2041	5,650	13,328	1,230,810	1,244,138
RHS Note Payable	3.00 %	12/01/2059	-	-	1,031,312	1,031,312
<u>Jonesville Manor</u>						
VHDA Note Payable	5.95 %	07/31/2041	1,079	4,853	133,861	138,714
RHS Note Payable	8.75 %	02/05/2030	2,912	29,311	1,041,663	1,070,974
<u>Luray Meadows</u>						
VHDA Note Payable	1.25 %	02/01/2058	10,932	52,095	2,114,650	2,166,745
<u>Millview Apartment</u>						
VHDA Note Payable	1.25 %	09/01/2051	8,331	71,536	2,236,285	2,307,821
DHCD Note Payable	1.00 %	09/01/2051	-	-	700,000	700,000
<u>Mountain City Manor</u>						
Churchill Mortgage Investment, LLC	4.40 %	12/01/2059	9,749	22,996	2,123,749	2,146,745
RHS Note Payable	3.00 %	12/31/2070	-	-	1,120,466	1,120,466
<u>Newport Village</u>						
Churchill Mortgage Investment, LLC	4.40 %	01/01/2052	5,074	11,969	1,105,315	1,117,284
RHS Note Payable	3.00 %	12/01/2059	-	-	1,103,216	1,103,216
<u>Norton Green</u>						
VHDA Note Payable	4.55 %	04/01/2045	1,481	7,024	231,999	239,023
VHDA Note Payable	3.00 %	04/01/2030	-	-	170,000	170,000
RHS Note Payable	8.75 %	07/01/2041	2,892	28,786	1,035,964	1,064,750
<u>Pennington Gap Apartment</u>						
DHCD Note Payable	1.00 %	11/13/2048	-	-	700,000	700,000
RHS Note Payable	3.50 %	11/12/2048	4,632	11,961	1,238,913	1,250,874
Note Payable - Virginia Housing Trust Fund	1.00 %	03/27/2050	-	-	340,000	340,000

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 11: Mortgages Payable (Continued)

	Interest Rate	Term/Due Date	Monthly Payments	Current	Long-Term	Total
<u>Pulaski Village</u>						
VHDA Note Payable	4.55 %	04/01/2045	\$ 3,382	\$ 16,327	\$ 529,354	\$ 545,681
VHDA Note Payable	3.00 %	06/01/2030	-	-	107,000	107,000
RHS Note Payable	9.25 %	05/31/2040	26,171	31,665	1,064,485	1,096,150
<u>Riverside (Rock School Apartments)</u>						
VHDA Note Payable	2.50 %	03/01/2045	\$ 632	\$ 4,829	\$ 107,446	112,275
DHCD Note Payable	1.00 %	11/16/2032	-	-	500,000	500,000
VHDA Note Payable	- %	12/31/2041	-	-	413,521	413,521
<u>Spruce Hill Apartments</u>						
DHCD Note Payable	- %	10/27/2029	-	-	218,917	218,917
RHS Note Payable	3.13 %	04/20/2044	4,065	14,872	1,075,307	1,090,179
<u>Sweetbriar</u>						
VHDA Note Payable	4.00 %	03/01/2045	2,289	12,177	374,731	386,908
DHCD Note Payable	1.00 %	06/03/2028	-	-	404,955	404,955
<u>Sweetbriar II</u>						
DHCD Note Payable	1.00 %	05/01/2058	-	-	800,000	800,000
DHCD Note Payable	- %	05/01/2058	-	-	517,000	517,000
VHDA Note Payable	1.00 %	05/01/2058	-	-	600,000	600,000
<u>Tazewell Village</u>						
Churchill Mortgage Investment, LLC	4.40 %	12/01/2059	7,578	17,875	1,650,732	1,668,607
RHS Note Payable	3.00	12/31/2070	-	-	1,181,040	1,181,040
<u>Toms Brook School</u>						
VHDA Note Payable	2.50 %	06/01/2044	1,245	9,187	225,692	234,879
DHCD Note Payable	1.00 %	07/01/2029	-	-	483,167	483,167
<u>Valley Vista</u>						
VHDA Note Payable	5.30 %	06/01/2041	11,828	58,708	1,529,026	1,587,734
DHCD Note Payable	2.00 %	06/01/2031	-	-	500,000	500,000
<u>West Lance Apartments</u>						
DHCD Note Payable	- %	10/01/2029	-	-	219,557	219,557
RHS Note Payable	3.13 %	03/17/2043	3,687	13,488	974,754	988,242
<u>Whites Mill Point</u>						
VHDA Note Payable	3.91 %	04/01/2037	2,360	17,460	268,062	285,522
DHCD Note Payable	2.00 %	04/01/2027	-	-	650,000	650,000
Subtotal mortgages payable				\$ 838,360	\$ 49,022,280	\$ 49,860,640
Less: Permanent loan costs, net of amortization of \$486,290				-	(1,148,347)	(1,148,347)
Mortgages payable, net				\$ 838,360	\$ 47,873,933	\$ 48,712,293

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 11: Mortgages Payable (Continued)

Approximate future annual minimum principal payments as of June 30, 2024 are as follows:

2025	\$	838,360
2026		694,868
2027		1,373,619
2028		1,159,116
2029		1,584,096
Thereafter		44,210,581
<hr/>		
Total	\$	49,860,640

Note 12: Line of Credit

People Inc. maintains a line of credit with First Bank & Trust Company in the amount of \$250,000 with interest at 9.00%. The effective rate is at the Prime rate plus 0.50%, which was 8.50% at June 30, 2024. The line of credit matures on October 6, 2025. The line of credit is collateralized by a deed of trust. There were no amounts drawn on the line of credit at June 30, 2024.

Note 13: Refundable Deposits

People Inc. holds a deposit from the Southwest Virginia Cultural Heritage Commission in the amount of \$1,283,200, included in refundable advances on the consolidated statement of financial position. This deposit is being held as a reserve fund to be used for all major repairs and extraordinary maintenance fees related to the Heartwood Artisan Center. Interest earned on these funds are offset against the interest earned on the note receivable from Friends of Southwest Virginia; the remainder is due to the Commission. Interest earned on the reserve funds during the year ended June 30, 2024 was \$3,300.

Note 14: Net Assets with Donor Restriction

Net assets with donor restrictions are restricted for the following purposes for the year ended June 30, 2024.

Lending programs	\$	2,945,325
<hr/>		
Total	\$	2,945,325

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors. For the year ended June 30, 2024, \$18,489,811 was released through satisfaction of program restrictions.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 15: Noncontrolling Interest

The consolidated statement of financial position presents the noncontrolling interest in the LIHTC partnerships and represents the interest in the partnerships from the limited partners. The following is a summary of the change in net assets without donor restrictions attributable to the controlling, held by PIHG, and noncontrolling interests of the LIHTC partnerships at June 30, 2024:

	Controlling Interest	Noncontrolling Interest	Total
Balance at July 1, 2023	\$ 2,840	\$ 31,555,289	\$ 31,558,129
Prior period adjustment	(16)	(183,180)	(183,196)
Balance at July 1, 2023, as restated	2,824	31,372,109	31,374,933
Capital contributions	50,000	2,806,898	2,856,898
Changes in net assets without donor restrictions	(8)	(2,931,617)	(2,931,625)
Less: Elimination of PINC's limited partnership interest	-	(3,922,524)	(3,922,524)
Balance at June 30, 2024	\$ 52,816	\$ 27,324,866	\$ 27,377,682

Note 16: Board Designated Net Assets

People Inc.'s Board of Directors has designated, from net assets without donor restrictions, net assets for the following purposes as of June 30, 2024:

Reserve fund	\$ 2,829,828
Total	\$ 2,829,828

Note 17: Contingent Liabilities and Commitments

PIHG's low-income housing credits are contingent on its ability to maintain compliance with applicable sections of Internal Revenue Code (IRC) Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the Investor Members.

People Inc. participates in several federally assisted and state grant programs. These programs are subject to program compliance audits by the grantors and their representatives. Any disallowed costs may constitute a liability of People Inc. People Inc. believes that it is in substantial compliance with all grant requirements, and any noncompliance and related questioned costs, if any, would not be significant.

People Inc. is a guarantor for debt incurred by the NMTC investment entities and for the construction loans on the LIHTC projects in progress at June 30, 2024 related to Lightfoot and WMP II.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 17: Contingent Liabilities and Commitments (Continued)

As of the statement of financial position date, People Inc. is contingent on two loans held by Rural Development for the purpose of purchasing buildings in Abingdon, VA and Woodstock, VA. People Inc. is required to set aside reserves in the amount of \$49,572 for the Abingdon building and \$34,167 for the Woodstock building in case of default. As of June 30, 2024, neither loan is in default and a total of \$40,836 in reserves has been set aside for both locations.

In the ordinary course of operations, People Inc. occasionally becomes involved in legal proceedings related to contracts, personnel, or other matters. While any proceedings or litigation has an element of uncertainty, management of People Inc. believes that the outcomes of any pending or threatened actions will not have a material adverse effect on the operations or financial condition of People Inc.

Note 18: Due to Funding Source

PIHG received funding from the following sources for funding involved with LIHTC partnerships. The funds loaned or to be loaned to LIHTC partnerships are shown as follows as of June 30, 2024:

The Virginia Community Development Fund, Inc	\$	159,509
Capital Magnet Fund		3,150,000
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Total	\$	3,309,509

Note 19: Government Funding

People Inc. receives a significant portion of their source of funds from federal, state and local government funding. As such, People Inc. is subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by a specific funding agency. Such changes may occur with little notice or inadequate funding to pay for related costs, including the additional administrative burden to comply with such changes.

Note 20: Grant Award Commitments

At June 30, 2024, People Inc. had commitments under various grants of approximately \$7,826,000. These commitments are not recognized in the accompanying consolidated financial statements as they are conditional awards.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 21: Contributed Nonfinancial Assets

Contributed nonfinancial assets consist of the following as of June 30, 2024:

Supplies	\$	52,627
Donated facilities		252,023
Professional volunteer time and services		64,613
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Total	\$	369,263

People Inc. recognizes contributed nonfinancial assets within revenue, including contributed supplies, use of facilities, and professional volunteer time and services. Unless otherwise noted, contributed nonfinancial assets did not have donor imposed restrictions.

Donated supplies must be used in the programs operated by People Inc. and shall be valued at fair market value at the time of donation.

Donated facilities primarily are valued at the fair rental value of comparable space in the same locality. The facilities are used in the Head Start, Homeless Solutions Program and Project Discovery Programs.

Professional volunteer time and services are valued at rates consistent with those paid for similar work within People Inc. or for skills not found within People Inc., rates are consistent within People Inc.'s labor market.

Note 22: Retirement Plan

People Inc. sponsors a 403(b) defined contribution plan (the Plan) covering substantially all employees. People Inc. makes a contribution to the Plan each year equal to 2% of all participants' compensation. Total contributions for the year ended June 30, 2024, were \$163,998.

Note 23: Prior Period Adjustments

Prior Period Adjustments - Reclassifications of Net Assets

People Inc. determined that PIFS' net assets with donor restrictions balance related to its restricted notes receivable balance and related interest on restricted cash was not properly classified in the prior year. To correct this error, the beginning net assets with donor restrictions was decreased by \$2,641,870 and net assets without donor restrictions was increased by the same. There was no effect on the total net assets or change in net assets as a result of this correction.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 23: Prior Period Adjustments (Continued)

Prior Period Adjustments - Reclassifications of Net Assets (Continued)

In addition, People Inc. determined that PIHG's net assets with donor restrictions balance was not properly reported in the prior year due to the determination that the restrictions related to a grant previously classified as restricted were fully met in a prior year. To correct this error, the beginning net assets with donor restrictions was decreased by \$841,572 and net assets without donor restrictions was increased by the same. There was no effect on the total net assets or change in net assets as a result of the correction.

Prior Period Adjustments - Net Assets Without Donor Restrictions

People Inc. determined during the year ended June 30, 2024 that it had improperly reported accrued developer fees that should have been eliminated in consolidation in the prior year. It was also determined that prior period adjustments were necessary to correct capital expenditures that were not properly capitalized in the prior year. In addition, certain subsidiaries of PIHG recorded prior period adjustments to properly record developer fees payable and other corrections were made to beginning balances, as indicated below:

Improper accrual of developer fees	\$ 4,164,954
Capitalization of property and equipment	917,663
PIHG subsidiary: Culpeper Crossing, LLC	(90,437)
PIHG subsidiary: Buchanan County Housing, LP	(297,989)
PIHG subsidiary: Luray Meadows, LLC	42,149
PIHG subsidiary: Millview Apartments, LLC	(130,686)
Other adjustments	211,714
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Total	\$ 4,817,368

Supplementary Information

People Incorporated of Virginia and Affiliates

Consolidating Schedule of Financial Position

As of June 30, 2024

Assets					
	PINC*	PIFS*	PIHG	Eliminations	Consolidated
Current assets:					
Cash and cash equivalents	\$ 1,806,240	\$ 2,145,675	\$ 3,349,125	\$ 0	\$ 7,301,040
Grants receivable	3,332,285	0	0	0	3,332,285
Accounts receivable, net	162,405	281,017	91,075	0	534,497
Interest receivable	0	88,077	0	0	88,077
Inventory	54,866	0	0	0	54,866
Prepaid expenses and other assets	256,698	11,205	284,261	0	552,164
Notes receivable - Current, net	0	1,079,077	0	0	1,079,077
Total current assets	5,612,494	3,605,051	3,724,461	0	12,942,006
Other assets:					
Restricted cash	1,679,883	955,921	9,625,018	0	12,260,822
Right of use operating lease assets	274,147	0	0	0	274,147
Total other assets	1,954,030	955,921	9,625,018	0	12,534,969
Property and equipment, net	13,042,578	0	94,154,566	0	107,197,144
Long Term Assets:					
Notes receivable, net	0	4,127,534	0	0	4,127,534
Investment in limited partnerships	3,922,524	0	0	(3,922,524)	0
Related party receivable	7,830,283	0	0	(7,830,283)	0
Total long term assets	11,752,807	4,127,534	0	(11,752,807)	4,127,534
TOTAL ASSETS	\$ 32,361,909	\$ 8,688,506	\$ 107,504,045	(\$ 11,752,807)	\$ 136,801,653
Liabilities and Net Assets					
Current liabilities:					
Notes payable, current portion	\$ 102,550	\$ 342,684	\$ 0	\$ 0	\$ 445,234
Mortgages payable, current portion	0	0	838,360	0	838,360
Operating lease liability, current portion	79,009	0	0	0	79,009
Accounts payable	1,442,944	1,028,568	6,801,715	(7,830,283)	1,442,944
Accrued payroll and related expenses	2,174,207	0	81,055	0	2,255,262
Security deposits and tenant payable	0	0	581,174	0	581,174
Accrued interest	51,721	0	276,769	0	328,490
Refundable advances	1,283,200	251,003	0	0	1,534,203
Total current liabilities	5,133,631	1,622,255	8,579,073	(7,830,283)	7,504,676
Long-term liabilities:					
Notes payable, net of current portion	1,276,743	2,379,661	0	0	3,656,404
Mortgages payable, net of current portion	0	0	47,873,933	0	47,873,933
Operating lease liability, net of current portion	196,028	0	0	0	196,028
Due to funding source	0	0	3,309,509	0	3,309,509
Total long-term liabilities	1,472,771	2,379,661	51,183,442	0	55,035,874
Total liabilities	6,606,402	4,001,916	59,762,515	(7,830,283)	62,540,550
Net assets without donor restrictions:					
Undesignated	22,925,679	1,741,265	16,494,140	0	41,161,084
Noncontrolling interest	0	0	31,247,390	(3,922,524)	27,324,866
Board designated - Reserve fund	2,829,828	0	0	0	2,829,828
Total without donor restrictions	25,755,507	1,741,265	47,741,530	(3,922,524)	71,315,778
With donor restrictions	0	2,945,325	0	0	2,945,325
Total net assets	25,755,507	4,686,590	47,741,530	(3,922,524)	74,261,103
TOTAL LIABILITIES AND NET ASSETS	\$ 32,361,909	\$ 8,688,506	\$ 107,504,045	(\$ 11,752,807)	\$ 136,801,653

*PINC and PIFS work closely together, which results in certain balances that are legally related to PINC but are included in the PIFS balances above based on each entity's operations.

See Independent Auditor's Report.

People Incorporated of Virginia and Affiliates

Consolidating Schedule of Activities

Year Ended June 30, 2024

	PINC*	PIFS*	PIHG	Eliminations	Consolidated
Support and Revenue:					
Grant revenue	\$ 17,767,430	\$ 765,137	\$ 51,500	\$ 0	\$ 18,584,067
New Market Tax Credit revenue	0	922,179	0	0	922,179
Closing fees	0	53,099	0	0	53,099
Contributions	101,973	0	0	0	101,973
Interest income	239,224	387,294	11,900	0	638,418
Rental income	269,291	0	7,938,351	0	8,207,642
Fee for service	1,059,729	0	0	(856,333)	203,396
Interest subsidy	0	0	570,751	0	570,751
Loss on sale of property and equipment	(205,164)	0	0	0	(205,164)
Other income	161,218	47,212	99,733	0	308,163
Non-cash contributions	369,263	0	0	0	369,263
Total support and revenue	19,762,964	2,174,921	8,672,235	(856,333)	29,753,787
Expenses:					
Program Services					
Community Services	2,301,686	0	0	0	2,301,686
Community Economic Development	0	2,193,004	0	0	2,193,004
Children and Family Services	7,635,021	0	0	0	7,635,021
Housing	4,101,402	0	10,722,000	(856,333)	13,967,069
Workforce Development	2,241,326	0	0	0	2,241,326
Total program activities	16,279,435	2,193,004	10,722,000	(856,333)	28,338,106
Management and general	5,132,788	104,352	15,000	0	5,252,140
Fundraising	492,163	0	0	0	492,163
Total expenses	21,904,386	2,297,356	10,737,000	(856,333)	34,082,409
Changes in net assets	(2,141,422)	(122,435)	(2,064,765)	0	(4,328,622)
Capital contributions	3,922,524	0	2,856,898	(3,922,524)	2,856,898
Net assets - Beginning of year, as previously stated	12,778,537	7,809,625	49,931,317	0	70,519,479
Prior period adjustments	11,195,868	(3,396,580)	(2,981,920)	0	4,817,368
Net assets - Beginning of year, as restated	23,974,405	4,413,045	46,949,397	0	75,336,847
Cumulative effect of change in accounting standard	0	395,980	0	0	395,980
Net assets - End of year	\$ 25,755,507	\$ 4,686,590	\$ 47,741,530	(\$ 3,922,524)	\$ 74,261,103

*PINC and PIFS work closely together, which results in certain balances that are legally related to PINC but are included in the PIFS balances above based on each entity's operations.

See Independent Auditor's Report.

People Inc of Virginia and Affiliates

Schedule of Expenditures of Federal Awards Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed through Virginia Department of Health</u>			
Child and Adult Care Food Program	10.558	10181	\$ 242,332
Child and Adult Care Food Program		10181	33,584
		Subtotal AL #10.558	275,916
<u>Direct Grant</u>			
Community Facilities Loans	10.766	None noted	1,310,172
Total U.S. DEPARTMENT OF AGRICULTURE			1,586,088
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<u>Passed through Virginia Housing Development Authority</u>			
HHD-HUD Housing Counseling FY23	14.169	298829 FY23 HUD Grant	26,775
HHD-HUD Housing Counseling FY22		HC220341002	29,617
		Subtotal AL #14.169	56,392
CDBG - Entitlement Grants Cluster			
<u>Passed through City of Bristol Virginia</u>			
King Mountain Permanent Supportive Housing	14.218	None noted	8,000
		Subtotal CDBG - Entitlement Grants Cluster AL #14.218	8,000
<u>Passed through Virginia Department of Housing and Community Development</u>			
Rapid Re-Housing	14.231	24-VHSP-065	37,926
<u>Passed through Virginia Department of Housing and Community Development</u>			
HOMEownership Down Payment Assistance Program	14.239	24-DPA-07	20,500
HOMEownership Down Payment Assistance Program		2022-21 DPA	75,000
		Subtotal AL #14.239	95,500
<u>Passed through Local Initiatives Support Corporation</u>			
Local Initiatives Support Corporation Travel Grant	14.252	42043-0027	1,479
<u>Passed through Virginia Department of Housing and Community Development</u>			
Continuum of Care Program Coordinated Entry Project	14.267	23-BOS CE-14	6,967
<u>Direct Grant</u>			
CoC HUD Foothills Permanent Supportive Housing Program	14.267	VA0285L3F212206	201,858
		Subtotal AL #14.267	208,825
Housing Voucher Cluster			
<u>Direct Grant</u>			
Section 8 Housing Choice Vouchers	14.871	VA042	488,798
HUD Main Stream Vouchers	14.879	VA042	317,464
		Subtotal Housing Voucher Cluster	806,262
Total U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			1,214,384

See Independent Auditor's Report.

See notes to Schedule of Expenditures of Federal Awards.

People Inc of Virginia and Affiliates

Schedule of Expenditures of Federal Awards Year Ended June 30, 2024

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>AL Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF JUSTICE			
<u>Passed through Commonwealth of Virginia Department of Criminal Justice Services</u>			
DJCS Sexual Assault Services Program	16.017	24-N2119SP23	<u>1,692</u>
Victim Services Grant Program VSGP SFY 2024	16.574	24-D3581VP22	<u>198,797</u>
Court Appointed Special Advocates CASA	16.575	507678	<u>26,179</u>
Victim Service VSTOP Formula Grant Program	16.588	24-T4435VA22	13,272
Victim Service VSTOP Formula Grant Program		23-T4435VA21	6,975
		Subtotal AL #16.588	<u>20,247</u>
<u>Passed through Southwest Virginia Legal Aid Society, Inc.</u>			
RURAL Program Grant from DOJ on VAWA	16.589	2020-WR-AX-0047	<u>8,059</u>
		Total U.S. DEPARTMENT OF JUSTICE	<u>254,974</u>
U.S. DEPARTMENT OF LABOR			
WIOA Cluster			
<u>Passed through New River/Mt Rogers Workforce Investment Board</u>			
Workforce Investment Board WIOA (Adult)	17.258	WIOA-2401	<u>571,533</u>
Workforce Investment Board WIOA (Youth)	17.259	WIOA-2401	<u>728,692</u>
Workforce Investment Board WIOA (DLW)	17.278	WIOA-2401	<u>431,273</u>
		Subtotal WIOA Cluster	<u>1,731,498</u>
<u>Passed through New River/Mt Rogers Workforce Workforce Development Area Consortium Board</u>			
Workforce Opportunity for Rural Communities	17.280	MI-38986-22-60-A-51	77,007
<u>Passed through New River/Mt Rogers Workforce Workforce Development Board</u>			
Youthbuild	17.280	YB-36449-21-60-A-51	28,800
		Subtotal AL #17.280	<u>105,807</u>
		Total U.S. DEPARTMENT OF LABOR	<u>1,837,305</u>
U.S. DEPARTMENT OF THE TREASURY			
<u>Passed through Virginia Community Action Partnership</u>			
VITA Program	21.009	None	<u>7,000</u>
<u>Passed through Commonwealth of Virginia Department of Criminal Justice Services</u>			
COVID-19 American Rescue Plan Act VSGP - DCJS	21.027	22-A3581ARRF	<u>119,514</u>
<u>Direct Grant</u>			
CDFI Equitable Recovery Program	21.033	22ERP061284	<u>261,290</u>
		Total U.S. DEPARTMENT OF TREASURY	<u>387,804</u>

See Independent Auditor's Report.

See notes to Schedule of Expenditures of Federal Awards.

People Inc of Virginia and Affiliates

Schedule of Expenditures of Federal Awards Year Ended June 30, 2024

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>AL Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
APPALACHIAN REGIONAL COMMISSION			
<u>Direct Grant</u>			
NMTC Project Growth in Appalachia	23.002	PW-19432-IM-19	<u>23,467</u>
		Total APPALACHIAN REGIONAL COMMISSION	<u>23,467</u>
SMALL BUSINESS ADMINISTRATION			
<u>Passed through the Appalachian Regional Commission</u>			
Business Tech Assistance	59.046	VA-20103-20	7,825
<u>Direct Grant</u>			
SBA Training & Technical Assistance	59.046	SBAOCAML220321-01-00	164,736
SBA Microloan 2023		SBAOCAML230513-01-00	236,053
		Total AL #59.046 and SMALL BUSINESS ADMINISTRATION	<u>408,614</u>
U.S. DEPARTMENT OF ENERGY			
<u>Passed through Virginia Department of Housing and Community Development</u>			
Bipartisan Infrastructure Weatherization Assistance Program	81.042	22-BIL WX-16	196,658
Weatherization Deferral Repair Program	81.042	22-WX-16	45,464
Weatherization Deferral Repair Program		23-WX-16	40,626
Weatherization Assistance Program		23-WX-16	93,401
		Total AL #81.042 and U.S. DEPARTMENT OF ENERGY	<u>376,149</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Direct Grant</u>			
Healthy Tomorrows Partnership for Children Program HRSA	93.110	5 H17MC3277-04-00	<u>39,859</u>
<u>Passed through Families Forward</u>			
CHIP of Virginia	93.558	2023-2024	<u>67,448</u>
<u>Passed through Virginia Department of Social Services</u>			
New River Valley TANF Grant	93.558	BEN-24-002-11	178,814
Southwest Virginia TANF Employment Services		BEN-22-099-10	303,362
CHIP of Virginia TANF FY24		BEN-22-099-10	386,891
CSBG TANF Portion		CVS-19-063-17	979,050
RISE IDA Grant		CVS-19-063-17	28,413
<u>Passed through Virginia Career Works</u>			
Workforce TANF FY24	93.558	2301VATANF	78,192
		Subtotal AL #93.558	<u>2,022,170</u>
<u>Passed through VA. Department of Housing and Community Development</u>			
LIHEAP Weatherization Assistance Program	93.568	22-LI-16	65,883
LIHEAP Weatherization Assistance Program		23-LI-16	305,089
		Subtotal AL #93.568	<u>370,972</u>
<u>Passed through Virginia Department of Social Services</u>			
Community Service Block Grant	93.569	CVS-19-063-17	1,277,968
<u>Passed through Virginia Community Action Re-Entry Systems, Inc</u>			
Community Service Block Grant	93.569	None noted	6,765
		Subtotal AL #93.569	<u>1,284,733</u>

See Independent Auditor's Report.

See notes to Schedule of Expenditures of Federal Awards.

People Inc of Virginia and Affiliates

Schedule of Expenditures of Federal Awards Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)			
<u>Passed through Virginia Department of Social Services</u>			
Child Abuse & Neglect Program CHIP CANP	93.590	FAM-21-073-14 Mod 2	6,658
Child Abuse & Neglect Program CHIP CANP		FAM-21-073-14 Mod 1	25,205
		Subtotal AL #93.590	31,863
VA Dept.of Social Services Domestic Violence	93.592	FAM-22-078-29	139,796
Head Start Cluster			
<u>Direct Grant</u>			
Head Start & Early Head Start	93.600	03CH011740-04	2,378,991
Head Start & Early Head Start		03CH011740-04	26,379
Head Start & Early Head Start		03CH011740-05	2,353,912
Head Start & Early Head Start		03CH011885-03	2,855,426
		Subtotal Head Start Cluster AL #93.600	7,614,708
<u>Direct Grant</u>			
Resident Supportive Services	93.647	90EAH0002-01-00	51,358
<u>Passed through Virginia Department of Health</u>			
COVID-19 VA Dept. Health CHIP ARPA	93.870	705A210081	44,731
Maternal, Infant, and Early Childhood Home Visiting		705A210081	56,285
Maternal, Infant, and Early Childhood Home Visiting		705A210081	178,036
		Subtotal AL #93.870	279,052
<u>Passed through United Way</u>			
Emergency Food & Shelter Program	97.024	None noted	2,000
Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			11,836,511
TOTAL FEDERAL EXPENDITURES			\$ 17,925,296

See Independent Auditor's Report.

See notes to Schedule of Expenditures of Federal Awards.

People Incorporated of Virginia and Affiliates

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of People Incorporated of Virginia and Affiliates (People Inc.) under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with requirements of the Title 2 U.S. Code of Federal Regulations 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 People Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of People Inc.

Note 2: Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3: Indirect Cost Rate

People Inc. has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance, and instead has an approved provisional indirect rate with the Department of Health and Human Services.

Note 4: Sub-Recipients

People Inc. does not have any sub-recipients of federal awards.

Note 5: Federal Loans Payable

Henderson Building

Federal expenditures for the U.S. Department Agriculture ("USDA") Community Facilities Loans and Grants Cluster program (AL # 10.766) includes the balance of a loan outstanding. This particular loan was funded by a grant from USDA who passed through these funds in the form of a low-interest loan and for which the grantor imposes continuing compliance requirements. Total principal on this loan was \$850,000 which was used to finance the food bank building for People Inc. Annual payments of principal and interest of \$49,572 are due on this loan.

Balance at July 1, 2023	\$ 602,044
Repayments - Principal	<u>25,954</u>
Balance at June 30, 2024	\$ 576,090

People Incorporated of Virginia and Affiliates

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Note 5: Federal Loans Payable (Continued)

Woodstock Building

Federal expenditures for the U.S. Department Agriculture ("USDA") Community Facilities Loans and Grants Cluster program (AL # 10.766) includes the balance of a loan outstanding. This particular loan was funded by a grant from USDA who passed through these funds in the form of a low-interest loan and for which the grantor imposes continuing compliance requirements. Total principal on this loan was \$868,000 which was used to finance the food bank building for People Inc. Annual payments of principal and interest of \$40,836 are due on this loan.

Balance at July 1, 2023	\$ 708,128
Repayments - Principal	<u>16,245</u>
Balance at June 30, 2024	\$ 691,883

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*

Board of Directors
People Incorporated of Virginia and Affiliates
Abingdon, Virginia

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 consolidated financial statements of People Incorporated of Virginia and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2024 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 28, 2025. The financial statements of People Incorporated Housing Group, Inc. and Subsidiaries were not audited in accordance with *Government Auditing Standards*. Accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered People Incorporated of Virginia and Affiliates' 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of People Incorporated of Virginia and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of People Incorporated of Virginia and Affiliates' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness and a significant deficiency.

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 reasonable possibility that a material misstatement of the People Incorporated of Virginia and Affiliates' financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a material weakness.

A *significant deficiency* is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether People Incorporated of Virginia and Affiliates' consolidated 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*.

People Incorporated of Virginia and Affiliates' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on People Incorporated of Virginia and Affiliates' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. People Incorporated of Virginia and Affiliates' response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

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 People Incorporated of Virginia and Affiliates' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering People Incorporated of Virginia and Affiliates' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wipfli LLP

Madison, Wisconsin

March 28, 2025

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
People Incorporated of Virginia and Affiliates
Abingdon, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited People Incorporated of Virginia and Affiliates' 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 each of its major federal programs for the year ended June 30, 2024. People Incorporated of Virginia and Affiliates' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, People Incorporated of Virginia and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended June 30, 2024.

Basis for Opinion on Each 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 (*Government Auditing Standards*); 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 People Incorporated of Virginia and Affiliates 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 each major federal program. Our audit does not provide a legal determination of People Incorporated of Virginia and Affiliates' 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 People Incorporated of Virginia and Affiliates' federal programs.

Auditor's Responsibility 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 People Incorporated of Virginia and Affiliates' 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 People Incorporated of Virginia and Affiliates' 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 People Incorporated of Virginia and Affiliates' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of People Incorporated of Virginia and Affiliates' 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 People Incorporated of Virginia and Affiliates' 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-002. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on People Incorporated of Virginia and Affiliates' response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. People Incorporated of Virginia and Affiliates' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on People Incorporated of Virginia and Affiliates' response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. People Incorporated of Virginia and Affiliates' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Wipfli LLP

Wipfli LLP

Madison, Wisconsin

March 28, 2025

People Incorporated of Virginia and Affiliates

Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? X Yes None Reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X Yes No

Identification of major programs

<u>AL Number(s)</u>	<u>Federal Program or Cluster</u>
14.871/14.879	Housing Choice Voucher Cluster
17.258/17.259/17.278	WIOA Cluster
93.600	Head Start Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 Yes X No

People Incorporated of Virginia and Affiliates

Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

Section II - Financial Statement Findings

Finding 2024-001: Year End Reconciliations and Classification of Net Assets

Condition: As a result of audit procedures, People Inc. determined it had not properly recorded intercompany transactions with PIHG and PIFS, which resulted in adjustments related to their year ended June 30, 2023. As a result, Wipfli LLP proposed a prior period adjustment and adjusting entries to correct the balances and correct the net assets classifications as of June 30, 2023.

Criteria: Internal controls are effective if they are properly designed and implemented to prevent or detect account misstatements prior to the audit.

Cause: There was a transition in the finance department of People Inc. during the fiscal year, which resulted in the transactions not being recorded as noted in the condition above.

Effect: As a result of the financial reporting matter identified in the condition paragraph, a material weakness exists in People Inc.'s internal controls over financial reporting.

Recommendation: While improvements were noted during the audit for the year ended June 30, 2024, we recommend People Inc. continue to implement procedures to ensure it is accounting for all subsidiary activity in accordance with generally accepted accounting principles and to properly account for donor restricted net assets.

View of responsible officials: Management implemented the consolidation of LIHTC subsidiaries in FYE 2023 based on Wipfli LLP's audit recommendation, and since then, has made significant improvements to internal controls and financial processes, including hiring a new CFO and implementing an enterprise-wide accounting system to support timely and efficient consolidation.

Finding 2024-002: Preparation of the Schedule of Expenditures of Federal Awards

Condition: During our audit, Wipfli LLP noted there were certain federal grants received from pass-through entities that were inadvertently excluded from the Schedule of Expenditures of Federal Awards.

Criteria: Uniform Guidance (2 CFR Part 200, section 510) states *the auditee must prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended.*

People Incorporated of Virginia and Affiliates

Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

Section II - Financial Statement Findings (Continued)

Finding 2024-002: Preparation of the Schedule of Expenditures of Federal Awards (Continued)

Cause: The internal controls of People Inc. did not identify all federal awards to be included in the Schedule of Expenditures of Federal Awards prior to the audit.

Effect: As a result of the financial reporting matters identified in the condition paragraph, a significant deficiency exists in People Inc.'s internal control over financial reporting.

Recommendation: We recommend People Inc. continue to implement procedures to provide sufficient internal control over the preparation of the Schedule of Expenditures of Federal Awards.

View of Responsible Officials: PINC management acknowledges the inadvertent exclusion of some funds from the Schedule of Expenditures of Federal Awards due to a CFO transition and outdated accounting system, but emphasizes that no fraud or misuse occurred, with discrepancies promptly resolved, and is actively implementing a new accounting system to ensure future compliance and improve reporting accuracy.

Section III - Federal Award Findings and Questioned Costs

Finding 2024-002: Preparation of the Schedule of Expenditures of Federal Awards

This finding represents a significant deficiency in internal controls over compliance and a non-material non-compliance with the reporting requirement for the major federal programs.

Questioned Costs: None

Major Programs: AL #14.871 and 14.879 Housing Voucher Cluster (Section 8 Housing Choice Vouchers and HUD Main Stream Vouchers), Award Number VA042; AL #17.258, 17.259, 17.260 Workforce Investment Board WIOA Cluster, Award Number WIOA-2401; AL # 93.600 Head Start Cluster, Award Numbers 03CH011740-04, 03CH011740-05, and 03CH011885-03.

Section IV - Summary Schedule of Prior Year Findings

Finding 2023-001: Consolidation of LIHTC Partnerships and Classification of Net Assets

Condition: As a result of audit procedures, People Inc. determined it had not properly recorded transactions related to its Low Income Housing Tax Credit (LIHTC) subsidiaries during the year ended June 30, 2022 and in prior years. In addition, it was determined that the net assets with donor restrictions balance were not properly recorded at June 30, 2022. As a result, Wipfli LLP proposed a prior period adjustment and adjusting entries to consolidate the balances and correct the net assets classifications as of June 30, 2022. This resulted in a delay in the preparation of the consolidated financial statements and a late submission to the federal audit clearinghouse after the March 31, 2024 deadline.

Finding Status / Resolution: Partially resolved because the audit for the year ended June 30, 2024 was submitted timely. The remaining part of the condition of finding 2023-001 is repeated as finding 2024-001 for the year ended June 30, 2024.