

PEOPLE INCORPORATED FINANCIAL SERVICES

Abingdon, Virginia

AUDITED FINANCIAL REPORT

June 30, 2022

PEOPLE INCORPORATED FINANCIAL SERVICES

Abingdon, Virginia

AUDITED FINANCIAL STATEMENTS

June 30, 2022

TABLE OF CONTENTS

<u>INTRODUCTORY SECTION:</u>	<u>PAGE</u>
Title Page	
Table of Contents	
Board of Directors	
 <u>AUDITOR'S REPORTS</u>	
Independent Auditor's Report	1
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 <i>Government Auditing Standards</i>	4
 <u>FINANCIAL STATEMENTS:</u>	
Statement of Financial Position	6
Statement of Activities	7
Statement of Functional Expenses	8
Statement of Cash Flows	9
Notes to Financial Statements	10

# People Inc. Financial Services

## Board of Directors

2021-2022

1. Jan Selbo  
178 Main St  
Warrenton, VA 20186  
Email: [jsselbo@gmail.com](mailto:jsselbo@gmail.com)  
Cell: 540.229.2036  
Home: 540.341.0036  
Keith's Cell: 540.229.2742
2. David McCracken – **Secretary**  
518 Monte Vista Drive, #6  
Glade Spring, VA 24340  
Cell: 276.356.1856  
Email: [dmac1960@embarqmail.com](mailto:dmac1960@embarqmail.com)
3. Charlotte Mullins - **Chair**  
21017 Lovers Lane  
Bristol, VA 24202  
Home: 276.591.4349  
Cell: 276.275.0896  
Email: [cmullins@bvu.net](mailto:cmullins@bvu.net)
4. Shelia Combs Tuggle - **Treasurer**  
614 Fork Ridge Rd.  
Lebanon, VA 24266  
Home: 276.794.9315  
Cell: 423.416.0278  
Work: 276.525.1584  
Email: [stuggle@highlandscsb.org](mailto:stuggle@highlandscsb.org)
5. Alice Meade  
28 Major St.  
Lebanon, VA 24266  
Email: [aliceandbernard@verizon.net](mailto:aliceandbernard@verizon.net)  
Cell: 276.880.5275
6. Billy Taylor – **Vice-Chair**  
837 Portsmouth Ave., Apt #A15  
Bristol, VA 24201  
Cell: 757.235.3911  
Email: [Bilypaultaylor@gmail.com](mailto:Bilypaultaylor@gmail.com)
7. Chris Shortridge  
P. O. Box 288  
Grundy, VA 24614  
(Home: 1025 Maple Street)  
Work: 276.935.8437  
Fax: 276.935.4286  
Cell: 276.701.0112  
Email: [cjproperties@verizon.net](mailto:cjproperties@verizon.net)
8. William (Tripp) Butler  
633 Meadowbrook Shopping Center  
Culpeper, VA 22701  
Work: 434-964-2471  
Cell: 540-308-8340
9. Martin Dixon  
39 King Street  
Bristol, VA 24201  
202-316-7844  
Email: [maarten2662@gmail.com](mailto:maarten2662@gmail.com)
10. Peggy Kiser  
740 Dyers Chapel Rd  
Clinchco, VA 24226  
276-835-7019  
276-365-5415  
276-926-1676  
Email: [pkiser@dickensonva.org](mailto:pkiser@dickensonva.org)

Thomas M. Hickok, CPA, CVA, MAFF<sup>1\*</sup>  
David B. Brown, CPA  
Juan J. Garcia, CPA  
Karen L. Jackson, CPA  
Michael W. Pennington, CPA  
Tracy S. Garcia, CPA, CGMA, CIA<sup>11</sup>



155 E. Valley Street  
P.O. Box 821  
Abingdon, Virginia 24212-0821  
(276) 628-1123 Fax: (276) 676-3000  
e-mail: HBC@firmcpa.com

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
People Incorporated Financial Services  
Abingdon, Virginia

### ***Opinion***

We have audited the accompanying financial statements of People Incorporated Financial Services (a nonprofit organization), which comprise the statement of consolidated financial position as of June 30, 2022, and the related statements of consolidated activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of People Incorporated Financial Services as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of People Incorporated Financial Services 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.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of People Incorporated Financial Services' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about People Incorporated Financial Services' 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

***Other Reporting Required by Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2023, on our consideration of People Incorporated Financial Services' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering People Incorporated Financial Services' internal control over financial reporting and compliance.

*Hicok, Brown & Company*

Hicok, Brown and Company  
Certified Public Accountants

January 11, 2023

Thomas M. Hicok, CPA, CVA, MAFF<sup>1\*</sup>  
David B. Brown, CPA  
Juan J. Garcia, CPA  
Karen L. Jackson, CPA  
Michael W. Pennington, CPA  
Tracy S. Garcia, CPA, CGMA, CIA<sup>11</sup>



155 E. Valley Street  
P.O. Box 821  
Abingdon, Virginia 24212-0821  
(276) 628-1123 Fax (276) 676-3000  
e-mail: HBC@firmcpa.com

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

To the Board of Directors  
People Incorporated Financial Services  
Abingdon, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of People Incorporated Financial Services (a nonprofit organization), which comprise of the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows, for the year then ended and the related notes to the financial statements and have issued our report thereon January 11, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered People Incorporated Financial Services’ internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of People Incorporated Financial Services’ internal control. Accordingly, we do not express an opinion on the effectiveness of People Incorporated Financial Services’ internal control.

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

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether People Incorporated Financial Services' 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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



Hicok, Brown and Company  
Certified Public Accountants

January 11, 2023



People Incorporated Financial Services  
Statement of Financial Position  
June 30, 2022

	<u>Total</u>
<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 2,741,051
Accounts Receivable	519,178
Interest Receivable	49,224
Prepaid Expenses and Deposits	261
People Incorporated Receivable	2,326,247
Total Current Assets	<u>5,635,961</u>
Long-term Assets:	
Notes receivable (Net of allowance for bad debts of \$99,112)	<u>4,179,157</u>
Total Long-term Assets	<u>4,179,157</u>
Other Assets:	
Investments	<u>15,000</u>
Total Other Assets	<u>15,000</u>
 Total Assets	 <u>\$ 9,830,118</u>
<u>Liabilities &amp; Net Assets</u>	
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable	\$ 190,803
Notes payable - current	791,482
Total Current Liabilities	<u>982,285</u>
Long-term Liabilities:	
Notes payable - net of current	1,329,155
Compensated Absences	49,496
Total Long-term Liabilities	<u>1,378,651</u>
 Total Liabilities	 2,360,936
<u>Net Assets</u>	
Without Donor Restrictions	
Undesignated	<u>2,694,760</u>
Total Without Donor Restriction	2,694,760
With Donor Restriction	<u>4,774,422</u>
Total Net Assets	<u>7,469,182</u>
 Total Liabilities & Net Assets	 <u>\$ 9,830,118</u>

The Notes to Financial Statements are an integral part of this statement.

People Incorporated Financial Services  
Abingdon, Virginia  
Statement of Activities  
For The Year Ended June 30, 2022

	<u>Without</u> <u>Donor Restrictions</u>	<u>With</u> <u>Donor Restrictions</u>	<u>Total</u>
Revenues:			
Grants	\$ -	\$ 2,305,258	\$ 2,305,258
Other	2,163,392	-	2,163,392
Interest	101,208	93,199	194,407
Satisfaction of program restrictions	<u>971,290</u>	<u>(971,290)</u>	<u>-</u>
Total Revenues	<u>3,235,890</u>	<u>1,427,167</u>	<u>4,663,057</u>
Expenses:			
Program Services:			
New Market Tax Credit	2,705,198	-	2,705,198
Small Business Administration	344,118	-	344,118
U.S. Treasury Loans	142,118	-	142,118
Support Services:			-
General & administrative	500,907	-	500,907
Sponsor fee	<u>460,000</u>	<u>-</u>	<u>460,000</u>
Total Expenses	<u>4,152,341</u>	<u>-</u>	<u>4,152,341</u>
Change in Net Assets	(916,451)	1,427,167	510,716
Net Assets At Beginning of Year	<u>3,611,211</u>	<u>3,347,255</u>	<u>6,958,466</u>
Net Assets At End of Year	<u>\$ 2,694,760</u>	<u>\$ 4,774,422</u>	<u>\$ 7,469,182</u>

The Notes to Financial Statements are an integral part of this statement.

People Incorporated Financial Services  
 Abingdon, Virginia  
 Statement of Functional Expenses  
 For the Year Ended June 30, 2022

Expense Classification

<u>Fund</u>	<u>Salaries &amp; Wages</u>	<u>Fringe Benefits</u>	<u>Travel</u>	<u>Material &amp; Supplies</u>	<u>Contractual</u>	<u>Other</u>	<u>Totals</u>
New Market Tax Credit	\$ 278,893	\$ 155,021	\$ 5,991	\$ 2,421	\$ 139,777	\$ 2,583,095	\$ 3,165,198
U.S. Treasury Business Loans	75,710	30,413	490	4,018	3,373	28,114	142,118
SBA Micro Revolving Loans	185,194	66,817	1,129	33,190	15,211	42,577	344,118
General & Administrative	206,985	81,194	5,243	3,637	2,075	201,773	500,907
Total Expenses	<u>\$ 746,782</u>	<u>\$ 333,445</u>	<u>\$ 12,853</u>	<u>\$ 43,266</u>	<u>\$ 160,436</u>	<u>\$ 2,855,559</u>	<u>\$ 4,152,341</u>

The Notes to Financial Statements are an integral part of this statement.

People Incorporated Financial Services  
Abingdon, Virginia  
Statement of Cash Flows  
For the Year Ended June 30, 2022

	<u>Total</u>
Operating Activities:	
Change in net assets	\$ 510,716
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Allowance for bad debt	13,805
Net change in:	
Due from grantor & accounts receivable	(255,433)
Other Assets	1,026,187
Accounts Payable	149,476
Accrued expenses & other payables	<u>(224,176)</u>
Net Cash Provided/ (Used) by Operating Activities	<u>1,220,575</u>
Investment Activities:	
Investment in partnerships	(2,568)
Principal repayment on business loans	1,231,214
Loans to businesses	<u>(2,056,616)</u>
Net Cash Provided/ (Used) by Investing Activities	<u>(827,970)</u>
Financing Activities:	
Proceeds from long-term debt	200,000
Principal payments made on long-term debt	<u>(286,855)</u>
Net Cash Provided/ (Used) by Financing Activities	<u>(86,855)</u>
Increase in Cash	305,750
Cash and cash equivalents at Beginning of Year	<u>2,435,301</u>
Cash and cash equivalents at End of Year	<u>\$ 2,741,051</u>

The Notes to Financial Statements are an integral part of this statement.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### Organization

People Incorporated Financial Services (“PIFS”) is a Virginia non-profit corporation. PIFS is a certified Community Development Financial Institution whose purpose is to utilize public monies awarded for the good of the community through its programs. 49% of the revenue received was through grants.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. Such management estimates include an allowance for uncollectible accounts.

### Financial Statement Presentation

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

### Classification of Net Assets

Net assets of the organization are reported based on the existence of donor or grantor imposed restrictions. The following classifications are used to report the net assets of People Incorporated Financial Services.

Without Donor Restriction – Net assets of the organization that are not subject to donor- or grantor- imposed stipulations.

With Donor Restriction – Net assets of the organization resulting (a) from inflows of assets whose use by the organization is limited by donor or grantor imposed stipulations that either expires by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and from reclassification to or (c) from other classes of net assets as a consequence of donor or grantor imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the organization pursuant to those stipulations.

### Fund Accounting

To ensure observance limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Cash and Cash Equivalents

For the purpose of reporting cash flows, People Incorporated Financial Services considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified as net assets released from restriction.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants are recorded as either grant revenue or exchange transactions based on criteria contained in the grant award. Grant revenues are recorded as invoiced to the funding source and are recognized in the accounting period when the related allowable costs are incurred.

In the prior year, the Organization adopted ASU 2014-09, Revenue from Contracts with Customers, and all subsequent amendments to the ASU (collectively, “ASC 606”), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. The Organization’s services that fall within the scope of ASC 606 are presented within operating revenues and are recognized as revenue as the Organization satisfies its obligation to customers.

Remainder of the page is intentionally blank

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Timing of Revenue Recognition	<u>June 30, 2022</u>
Revenue recognized over time	\$ 2,499,665
Revenue recognized at a point in time	<u>2,163,392</u>
Total revenue from operations	<u>\$ 4,663,057</u>

Notes Receivable

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

Allowance for Bad Debts

FASB Codification 310-10, *Accounting by Creditors for Impairment of a Loan*, is applicable to all creditors and to all loans, uncollateralized as well as collateralized, and requires that impaired loans be measured based on the present value of expected future cash flows discounted at the loans effective interest rate.

The Organization uses the allowance method to determine uncollectible notes receivable. The allowance is based on prior years' experience and management's analysis of specific loans.

Related Party Receivable

The Organization has advanced funds to an affiliated organization. The affiliated organization has common governance.

Subsequent Events

Subsequent events have been evaluated as of January 11, 2023, which is the date the financial statements were issued.

Remainder of the page is intentionally blank

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842), which will require the recognition of right-to-use assets and lease liabilities for leases previously classified as operating leases by lessees. Since the issuance of this standard, there have been several additional standards issued relative to this topic. These standards will be effective for the fiscal year ending June 30, 2023. Early application will be permitted. The Organization is currently in the process of evaluating the impact of adoption of these standards on the financial statements.

**NOTE B – FUNCTIONAL ALLOCATION OF EXPENSE**

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

**NOTE C – CASH**

The Organization currently considers itself an affiliate of People Incorporated of Virginia. A portion of the cash for PIFS is maintained in a consolidated bank account with People. The Organization maintains other bank accounts based on funder requirements. As of June 30, 2022, the Organization had \$2,448,632 of cash in excess of FDIC coverage.

Small Business Administration contracts require the Organization to maintain separate bank accounts.

Remainder of the page is intentionally blank



**NOTE D – LIQUIDITY AND AVAILABILITY**

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. The following table reflects the Organization’s financial assets as of June 30, 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations.

Cash and cash equivalents	\$ 2,741,051
Investments	15,000
Accounts receivables	568,402
Total financial assets	<u>3,324,453</u>
Cash and cash equivalents with donor imposed restrictions	(2,662,295)
Investments with liquidity horizons greater than one year	<u>(15,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 647,158</u>

**NOTE E – NOTES RECEIVABLE**

Federation of Appalachian Housing Enterprises

The Organization was awarded \$100,000 in loan funds fiscal year 2006-2007 to make home rehabilitation loans to individuals. Notes receivable of \$2,682 at June 30, 2022 have terms ranging from three to ten years and bear interest at 8.25%. No write-offs were taken against these loans during the year ended June 30, 2022, and no loans are considered past due at June 30, 2022.

Tobacco Indemnification Commission (TICR)

Notes receivable of \$103,943 represents money due the program from loans made to organizations located throughout Southwest Virginia. The notes have terms ranging from three to thirteen years and bear interest at rates ranging from 2.25% to 9.5%. No write-offs were taken against these loans during the year ended June 30, 2022 and no loans are considered past due at June 30, 2022.

U.S. Treasury

Notes receivable of \$593,655 represents money due the program from loans made to small businesses throughout Southwest Virginia. The notes have terms ranging from one to six years and bear interest at rates ranging from 6.25% to 8.25%. Write-offs of \$0 were taken against these loans during the year ended June 30, 2022 and \$39,887 of these loans are considered past due at June 30, 2022.

During the fiscal year, the Organization received a grant of \$1,400,000 to provide loans to businesses and consumers in response to the COVID pandemic. Notes receivable of \$147,586 are outstanding at June 30, 2022 with terms ranging from one to ten years and bear interest at rates ranging from 4.5% to

**NOTE E – NOTES RECEIVABLE (CONTINUED)**

7.5%. Write-offs of \$4,640 were taken against these loans during the year ended June 30, 2022 and \$2,968 of these loans are considered past due at June 30, 2022.

Twin County Microenterprise CDBG

Notes receivable of \$9,439 have terms ranging from three to six years and bear interest at 6.25%; the loans were made to small businesses throughout Carroll County, Grayson County, and the City of Galax. No write-offs were taken against these loans during the year ended June 30, 2022, and no loans are considered past due at June 30, 2022.

SBA Microloan # 6085855005

Notes receivable of \$19,830 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%. No write-offs were taken against these loans during the year ended June 30, 2022, and \$242 of these loans are considered past due at June 30, 2022.

SBA Microloan # 9394915007

Notes receivable of \$363,501 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%. No write-offs were taken against these loans during the year ended June 30, 2022, and \$14,136 of these loans are considered past due at June 30, 2022.

SBA Microloan # 3644897002

Notes receivable of \$806,453 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%. No write-offs were taken against these loans during the year ended June 30, 2022, and \$43,354 of these loans are considered past due at June 30, 2022.

SBA Microloan # 6373458209

Notes receivable of \$182,955 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%. No write-offs were taken against these loans during the year ended June 30, 2022, and \$60,715 of these loans are considered past due at June 30, 2022.

Bristol Revolving Loan Fund

Notes receivable of \$39,361 have 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. No write-offs were taken against these loans during the year ended June 30, 2022, and \$5,417 of these loans are considered past due at June 30, 2022.

Rural Microenterprise Assistance Program

Notes receivable of \$37,279 have terms ranging from two to six years and bear interest at 6.25%; the loans were made to small businesses throughout the Organization's service areas in Virginia. No write-

## **NOTE E – NOTES RECEIVABLE (CONTINUED)**

offs were taken against these loans during the year ended June 30, 2022, and no loans are considered past due at June 30, 2022.

### Deutsche Bank

The Organization was selected by Deutsche Bank to participate in its CDFI Partners Program. The Organization was approved for a loan of up to \$250,000 for use in the Organization's economic development program. Notes receivable of \$18,511 represents money due the program from loans made to consumers with terms of five years and bearing interest at 8.25%. Write-offs of \$6,018 were taken against these loans during the year ended June 30, 2022, and \$14,993 of these loans are considered past due as of June 30, 2022.

### Friends of Southwest Virginia

Notes receivable of \$675,000 represents money due the program from loans made to Friends of Southwest Virginia. The loans are secured by reserve funds held by the Organization for the Heartwood Artisan Center. The loans bear interest at the rate of .25%.

### Offices of Community Services

The Organization received grant funding in the amount of \$750,000 to fund the establishment of the Community Action Financial Institute. Notes receivable of \$600,000 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, the Organization 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.

### Fauquier County Community Development Block Grant

Notes receivable of \$17,083 have terms of five years and bear interest at 6.25%. No write-offs were taken against these loans during the year ended June 30, 2022 and \$6,370 of these loans are considered past due at June 30, 2022.

### General Loan Pool

Notes receivable of \$320,052 have terms of five to ten years and bear interest ranging from 0% to 7.5%. Write-offs of \$38,726 were taken against these loans during the year ended June 30, 2022, and \$59,442 of these loans are considered past due at June 30, 2022.

### Payday Lending Loans

Notes receivable of \$1,047 have terms of one to two years and bear interest at 14.95%. Write-offs of \$939 were taken against these loans during the year ended June 30, 2022 and \$1,047 of these loans are considered past due at June 30, 2022.

**NOTE E – NOTES RECEIVABLE (CONTINUED)**

Appalachian Community Capital Fund

The agency borrowed \$500,000 from Appalachian Community Capital to establish a fund for small businesses in the Appalachian region. Notes receivable of \$339,892 have terms of three to six year and bear interest at 7.5%. Write-offs of \$1,910 were taken against these loans during the year ended June 30, 2022 and \$3,698 of these loans are considered past due at June 30, 2022.

An allowance for bad debts of \$99,112 has been provided. The allowance is based on prior years' experience and management's analysis of specific loans and accounts.

Remainder of the page is intentionally blank

**NOTE F – NOTES PAYABLE OBLIGATIONS**

Notes payable obligations are installment loans of the Organization and relate to the following:

	<u>Principal Balance as of June 30, 2022</u>
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% Principal payments began in February 2015.	\$ 50,942
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 begin in July 2018.	563,104
Rural Microenterprise Assistance Program loan from the U.S. Department of Agriculture. The note has a 20-year amortization with a 2.00% interest rate.	7,186
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 0.5% Principal payments begin in October 2020.	812,368
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 2019.	500,000
Mircoloan Program from the U.S. Small Business Administration. The note has a 10 -year amortization with varying interest with the current rate at 0.0% Principal payments began December 2021.	187,037
<b>TOTAL</b>	<u>\$ 2,120,637</u>

**NOTE F – NOTES PAYABLE OBLIGATIONS (CONTINUED)**

Annual requirements to amortize long-term debt are as follows:

Year Ending	Principal
30-Jun	
2023	\$ 791,482
2024	243,298
2025	241,631
2026	243,867
2027	245,773
2028-2032	354,586
	<u>\$ 2,120,637</u>

Interest expense incurred on notes payable for 2022 was \$34,758.

**NOTE H – NET ASSETS**

Net assets with donor restrictions are available for business loans, operating expenses, and related expenditures.

**NOTE I – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts of cash, receivables, accrued liabilities, and payables on the statement of financial position approximate fair value due to the short-term nature of these items.

The carrying amounts of debt and notes receivable on the statement of financial position approximate fair value, which is estimated based on current market rates offered to or by the organization for similar instruments.

**NOTE J – RELATED PARTY TRANSACTIONS**

People Incorporated Financial Services is an affiliate of People Incorporated. Receivables from People Incorporated consist of administrative and other services paid by People Incorporated Financial Services.