

PEOPLE INCORPORATED HOUSING GROUP

Abingdon, Virginia

AUDITED FINANCIAL STATEMENTS

June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
People Incorporated Housing Group
Abingdon, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of People Incorporated Housing Group (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

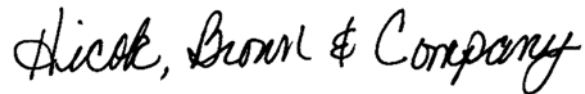
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of People Incorporated Housing Group as of June 30, 2020, 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.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 14, 2021, on our consideration of People Incorporated Housing Group's 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 Housing Group's internal control over financial reporting and compliance.



Hicok, Brown and Company
Certified Public Accountants

December 14, 2021

Thomas M. Hicok, CPA, CVA, MAFF ¹
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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 Housing Group
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 Housing Group (a nonprofit organization), which comprise of the statement of financial position as of June 30, 2021, 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 December 14, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered People Incorporated Housing Group's 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 Housing Group's internal control. Accordingly, we do not express an opinion on the effectiveness of People Incorporated Housing Group's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

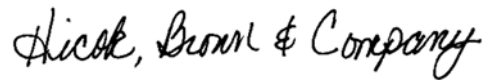
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether People Incorporated Housing Group's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Housing Group's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the People Incorporated Housing Group's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hicok, Brown and Company
Certified Public Accountants

December 14, 2021

People Incorporated Housing Group
 Abingdon, Virginia
 Statement of Financial Position
 For June 30, 2021

	<u>Total</u>
<u>Assets</u>	
Current Assets:	
Receivables:	
Cash	\$ 101,559
Rent and Contract	3,480,417
Related Party	3,245,275
Prepaid expenses	439,113
Total Current Assets	<u>7,266,364</u>
Long-term Assets:	
Notes receivable - related party	6,020,532
Property, plant, & equipment, net of accumulated depreciation	1,612,357
Total Long-term Assets	<u>7,632,889</u>
Other Assets:	
Deferred Developer Fees	3,614,217
Investments	886,187
Total Other Assets	<u>4,500,404</u>
Total Assets	<u>\$ 19,399,657</u>
<u>Liabilities & Net Assets</u>	
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable	\$ 1,681,769
Total Current Liabilities	<u>1,681,769</u>
Long-term Liabilities:	
Notes Payable	159,509
Total Long-term Liabilities	<u>159,509</u>
Deferred Developer Fees	3,614,217
Total Other Liabilities	<u>3,614,217</u>
Total Liabilities	5,455,495

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

People Incorporated Housing Group
Abingdon, Virginia
Statement of Financial Position
For June 30, 2021

	<u>Total</u>
<u>Net Assets</u>	
Without Donor Restrictions	
Undesignated	\$ 11,358,602
Total Without Donor Restriction	<u>11,358,602</u>
With Donor Restriction	<u>2,585,560</u>
Total Net Assets	<u>13,944,162</u>
 Total Liabilities & Net Assets	 <u>\$ 19,399,657</u>

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

People Incorporated Housing Group
 Abingdon, Virginia
 Statement of Activities
 For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Grants	\$ -	\$ 1,025,314	\$ 1,025,314
Other	16,792,085	-	16,792,085
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>515,000</u>	<u>(515,000)</u>	<u>-</u>
Total Revenues	<u>17,307,085</u>	<u>510,314</u>	<u>17,817,399</u>
Expenses:			
Program Services:			
Housing	16,790,780	-	16,790,780
Support Services:			
General & Administrative	-	-	-
Total Expenses	<u>16,790,780</u>	<u>-</u>	<u>16,790,780</u>
Change in Net Assets	516,305	510,314	1,026,619
Net Assets At Beginning of Year	<u>10,842,297</u>	<u>2,075,246</u>	<u>12,917,543</u>
Net Assets At End of Year	<u>\$ 11,358,602</u>	<u>\$ 2,585,560</u>	<u>\$ 13,944,162</u>

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

People Incorporated Housing Group
 Abingdon, Virginia
 Statement of Activities
 For the Year Ended June 30, 2021

<u>Fund</u>	<u>Expense Classification</u>									<u>Totals</u>
	<u>Salaries & Wages</u>	<u>Fringe Benefits</u>	<u>Travel</u>	<u>Equipment Expense</u>	<u>Material & Supplies</u>	<u>Contractual</u>	<u>Others</u>	<u>Depreciation</u>	<u>In-Kind</u>	
Housing	\$ 9,774	\$ 11,188	\$ 1,741	\$ 38,033	\$ 8,503	\$ 12,370,666	\$ 4,262,452	\$ 88,423	\$ -	\$ 16,790,780
Total Expenses	<u>\$ 9,774</u>	<u>\$ 11,188</u>	<u>\$ 1,741</u>	<u>\$ 38,033</u>	<u>\$ 8,503</u>	<u>\$ 12,370,666</u>	<u>\$ 4,262,452</u>	<u>\$ 88,423</u>	<u>\$ -</u>	<u>\$ 16,790,780</u>

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

People Incorporated Housing Group
 Abingdon, Virginia
 Statement of Cash Flows
 For the Year Ended June 30, 2021

	<u>Total</u>
Operating Activities:	
Change in net assets	\$ 1,026,619
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	88,423
Allowance for bad debt	(6,340)
Net change in:	
Receivables	(722,444)
Other assets	(1,353,026)
Prepaid expense	415,732
Accounts payable	(874,166)
Accrued expenses	505,556
Other Liabilities	35,699
Net Cash Provided/ (Used) by Operating Activities	<u>(883,947)</u>
Investment Activities:	
Purchase of marketable securities	(338,583)
Investment in Partnerships - Deskins	(666,939)
Net Cash Provided/ (Used) by In Investing Activities	<u>(1,005,522)</u>
Financing Activities:	
Net Cash Provided/ (Used) by Financing Activities	<u>-</u>
Decrease In Cash	(1,889,469)
Cash and cash equivalents at Beginning of Year	<u>1,991,028</u>
Cash and cash equivalents at End of Year	<u>\$ 101,559</u>

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

PEOPLE INCORPORATED HOUSING SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

People Incorporated Housing Group (the "Organization") is a Virginia non-profit corporation. Its purpose is to utilize public monies awarded for the good of the community through its programs.

The Organization received \$1,025,314 in grant revenue during the year.

Basis of Presentation

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

Cash and Cash Equivalents

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

Receivables

Grants receivable consist of amounts billed under various grant agreements. Amounts are reviewed for collectability by management. Management has assessed the collectability of these receivables and deemed all accounts to be fully collectible; therefore, an allowance has not been recorded.

Contract and Retainage receivables consist of amounts billed under LIHTC rehabilitation projects; the Organization acts as the General Contractor and Developer for the projects. Contract and retainage receivables are recognized as progress billings are submitted to the project owner. Management has assessed the collectability of these receivables and deemed all accounts to be fully collectible; therefore, an allowance has not been recorded.

Developer fee receivables consist of amounts currently due to the Organization under agreements to provide services to LIHTC projects that were substantially complete at the balance sheet date. Management has assessed the collectability of these receivables and deemed all accounts to be fully collectible; therefore, an allowance has not been recorded.

Related party receivables consist of amounts advanced to related parties that operate low-income multi-family housing communities. The advances are for operating expenses and management fees.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Current Assets

Other current assets include costs incurred to investigate the feasibility of future LIHTC projects. Such costs include tax credit reservation fees, legal and consulting fees, and architectural and engineering. These costs are recorded as assets until the project is approved; upon approval of the LIHTC project, the costs are expensed to the project. Any funds expended on a project that does not pass beyond the predevelopment stage are recorded as expenses when activity on the project ceases.

Related Party Notes Receivable

The Organization entered into agreements to act as the project sponsor of certain LIHTC projects. As the project sponsor, the Organization received grant funds that were loaned to the project owner.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair market value. Property and equipment are depreciated using the straight-line method.

Deferred Developer Fees

The Organization has entered into development agreements with twenty-nine LIHTC projects. The agreements provide for development fees for services in connection with the rehabilitation of the LIHTC projects. At June 30, 2021, the Organization had successfully completed twenty-seven LIHTC projects. The Organization recognizes a portion of the developer fees at the close of the construction period. The remainder of the developer fee is deferred and recognized as the LIHTC project pays the deferred fees over the life of the project.

Investments

The Organization's investment in other companies is recorded using the equity method. The investments are initially recorded at cost and subsequently adjusted for the Organization's share of undistributed earnings or losses.

Due to People Incorporated of Virginia

The Organization is managed and operated by People Incorporated of Virginia. Due to People Incorporated of Virginia consists of amounts advanced from a related party to support the operations and programs of the Organization.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Organization to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment and intangibles; valuation allowances for receivables and inventories; and assets and obligations related to employee benefits. Accordingly, actual results could differ from those estimates.

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 of Virginia.

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Construction revenues are recognized on the percentage-of-completion method, measured by the percentage of total costs incurred to date to estimated total costs for each contract. Contract costs include all direct materials and labor costs, and those indirect costs related to contract performance. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

Developer fees for Low-Income Housing Tax Credit (“LIHTC”) projects are recognized when the project is substantially complete.

During the 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.

<u>Timing of Revenue Recognition</u>	<u>June 30 2021</u>
Revenue recognized over time	\$ 1,025,314
Revenue recognized at a point in time	16,792,085
Total revenue from operations	<u>\$ 17,817,399</u>

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.

Concentrations, Risks and Uncertainties

As a result of the spread of COVID-19 during 2021, economic uncertainties have arisen, which may negatively impact grant revenue of the Organization over the long-term. Other financial impacts could occur, though such potential impact is unknown at this time.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events have been evaluated as of December 14, 2021, which is the date the financial statements were issued.

Recent Accounting Pronouncements

In June 2018, the FASB issued Accounting Standards Update 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions*

Made, which clarifies whether a transfer of assets is a contribution or an exchange transaction. The Update also clarifies whether a contribution is conditional which affects the timing of contribution revenue and expense recognition. The amendments in this update are effective for the Organization's year ending June 30, 2021 and is not expected to have a significant impact on the Organization's financial statements.

On July 1, 2020 the Organization adopted ASU 2014-09, Revenue from Contracts with Customers, and all subsequent amendments to the ASU (collectively, "ASU 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. This standard replaced most of the existing revenue recognition guidance in GAAP when it became effective. The adoption of ASU 2014-09 did not result in any significant changes to the accounting for any of the Organization's material revenue streams.

During the year, the Organization implemented Accounting Standards Update 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides guidance on whether a transfer of assets is a contribution or an exchange transaction. The effect of ASU 2014-09 and ASU 2018-08 on the Organization's consolidated financial statements were examined in conjunction with one another. The Organization's revenues from government grants and contracts are considered contributions because the customer does not receive commensurate value for the consideration received by the Organization; rather the purpose of these arrangements are for the benefit of the general public. Therefore, management concludes the agreements are conditional due to rights of return/release and barriers to entitlement of funds. Revenue is recognized when the condition is satisfied. Because the nature of conditions is either based on incurring qualifying expenses or satisfying a milestone or other deliverable, the pattern of revenue recognition remained consistent with previous years.

Revenues from development activities fall under ASU 2014-09. There were no material changes in the Organization's pattern of recognition for these arrangements.

PEOPLE INCORPORATED HOUSING SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

During the year, the Organization implemented Accounting Standards Update 2020-07, Not-for-Profit Entities: Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets. There were no material changes in the Organization’s financial statements under ASU 2020-07.

NOTE B – CASH

The Organization currently considers itself an affiliate of People Incorporated of Virginia. Cash for the Organization is maintained in a consolidated bank account with People. The bank has secured the Organization’s deposits in excess of FDIC coverage.

NOTE C – 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, 2021, 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	\$ 101,559
Investments	886,187
Accounts receivable	<u>6,725,692</u>
Total financial assets	<u>7,713,438</u>
Cash and cash equivalents not available for general expenditures	-
Cash and cash equivalents with donor imposed restrictions	-
Investments with liquidity horizons greater than one year	(886,187)
Accounts receivable with liquidity horizons greater than one year	(3,245,275)
Board-designated reserve fund	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,581,976</u></u>

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NOTE D – NOTES RECEIVABLE – RELATED PARTY

The Organization entered into agreements with related party LIHTC entities to provide secured loans to the entities. The notes are secured by a deed of trust on the properties.

Abingdon Green, LLC

Note receivable of \$180,000, bearing no interest and due upon the earlier of 30 years, conveyance of the property or refinancing of the property.

Abingdon Terrace, LLC

Note receivable of \$279,638, bearing no interest and due upon the earlier of 30 years, conveyance of the property, or refinancing of the property.

Abingdon Village Apartments, LLC

Note receivable of \$396,000, bearing no interest and due upon the earlier of 30 years, conveyance of the property, or refinancing of the property.

Brunswick Manor Apartments, LLC

Note receivable of \$366,590, bearing no interest and due upon the earlier of 30 years, conveyance of the property, or refinancing of the property.

Clinch View Manor Apartments, LLC

Note receivable of \$427,000, bearing no interest and due upon the sale or conveyance of the property.

Dante Crossings Apartments, LLC

Note receivable of \$465,546, bearing interest at 4.21% and due upon the sale or conveyance of the property. Interest income of \$19,160 was recognized on the note during the year.

Essex Manor, LLC

Note receivable of \$376,336, bearing no interest and due upon the sale of conveyance of the property.

Jonesville Manor, LLC

Note receivable of \$170,000, bearing no interest and due upon the sale or conveyance of the property.

Norton Green, LLC

Note receivable of \$200,000, bearing no interest and due upon the earlier of 30 years, conveyance of the property or refinancing of the property.

Pulaski Village, LLC

Note receivable of \$220,000, bearing no interest and due upon the earlier of 30 years, conveyance of the property or refinancing of the property.

PEOPLE INCORPORATED HOUSING SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE D – NOTES RECEIVABLE – RELATED PARTY (CONTINUED)

Rock School Management, LLC

Note receivable of \$168,881, bearing no interest and has a 30-year term.

Spruce Hill Apartments, LLC

Note receivable of \$198,000, bearing no interest and due upon the sale or conveyance of the property.

Toms Brook School Apartments, LLC

Notes receivable of \$889,323, bearing no interest and due upon the earlier of 30 years, conveyance of the property, or refinancing of the property.

Valley Vista, LLC

Note receivable of \$151,403, bearing interest at 2% and due upon the earlier of 30 years, conveyance of the property, or refinancing of the property. Note receivable of \$467,500, bearing no interest and due upon the earlier of October 30, 2039 or the sale of the property. Interest income of \$2,996 was recognized on these notes during the year.

West Lance, LLC

Note receivable of \$239,000, bearing no interest and due upon the sale or conveyance of the property.

Millview Apartments, LLC

Note receivable of \$500,000, bearing no interest and due upon the sale of conveyance of the property.

Culpeper Crossing, LLC

Note receivable of \$325,314, bearing no interest and due upon the sale of conveyance of the property.

NOTE E – PROPERTY, PLANT AND EQUIPMENT

Property and equipment purchased is stated at cost or estimated cost. Donated property is recorded at market value prevailing at date of donation. Depreciation for fixed assets has been provided over the following estimated useful lives using the straight-line method. Depreciation for the period ending June 30, 2021 amounted to \$88,423.

Buildings.....	20 - 40 years
Equipment, vehicles, furniture and fixtures.....	5 - 20 years

PEOPLE INCORPORATED HOUSING SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE E – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Summary of the changes in fixed assets follows:

	Balance			Balance
	June 30, 2020	Additions	Disposals	June 30, 2021
Land	\$ 1,187,253	\$ -	\$ (583,880)	\$ 603,373
Buildings	1,363,440	-	-	1,363,440
Furniture and Fixtures	32,580	-	-	32,580
Totals	<u>\$ 2,583,273</u>	<u>\$ -</u>	<u>\$ (583,880)</u>	<u>\$ 1,999,393</u>

NOTE F – DEFERRED DEVELOPER FEES

The Organization entered into agreements with related party LIHTC entities to act as developer for certain LIHTC projects. The agreements allow for a portion of the developer fee to be paid upon substantial completion of the projects and a portion to be deferred over the life of the tax credits. During the year ended June 30, 2021, the Organization recognized \$1,403,497 in developer fee revenue and deferred \$571,639 in developer fees related to completed projects.

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PEOPLE INCORPORATED HOUSING SERVICES
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE G – INVESTMENTS

The Organization holds ownership interests in twenty-eight LIHTC partnerships. Losses from the LIHTC entities were \$140 for the year ended June 30, 2021 and capital contributions totaled \$317,362. Investments in other companies as of June 30, 2021 consisted of the following:

Abingdon Green LLC	\$ 48,733
Abingdon Terrace LLC	(46)
Abingdon Village Apartments LLC	(99)
Brunswick Manor LLC	(32)
Buchanan County Housing LP	(221)
Deskins Holdings, Inc.	(687)
Clinch View Manor Apartments LLC	(70)
Culpeper Crossing	115
Dante Crossing Apartments Management, Inc.	149,908
Essex Manor Apartments LLC	317,350
Jonesville Manor LLC	(74)
Luray Meadows LLC	-
Millview Apartments LLC	7
Norton Green LLC	(61)
Pennington Gap Apartments LLC	(12)
Pulaski Village LLC	(79)
Rock School Management, Inc.	143,040
Spruce Hill Apartments LLC	(48)
Sweetbriar Apartments Management, Inc.	50,889
TNRD Portfolio	18
Toms Brook School Apartments LLC	(105)
Valley Vista Apartments LLC	(176)
West Lance Apartments LLC	(43)
Mill Point Apartments, Inc.	177,880
	<u>\$ 886,187</u>

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PEOPLE INCORPORATED HOUSING SERVICES
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE H – NOTES PAYABLE OBLIGATIONS

Notes payable obligations consist of the following:

	Principal Balance as of June 30, 2021
Assumption of note on an affordable housing development	\$ 159,509
	\$ 159,509

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

Year Ending June 30, 2021	Principal
2022	\$ -
	\$ -

NOTE I – RESTRICTED NET ASSETS

Temporarily restricted net assets are land to be used to build housing for eligible individuals.

NOTE J – 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 K – CONTINGENT LIABILITIES

The Organization is a guarantor on debt incurred by the LIHTC entities during construction.

PEOPLE INCORPORATED HOUSING SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE L – RELATED PARTIES

The Organization holds a .009% ownership interest in Riverside Place Apartments, LLC as a general partner through Rock School Management, Inc., a corporation owned 100% by People Incorporated Housing Group.

The Organization holds a .009% ownership interest in White’s Mill Point, LP as a general partner through Mill Point Apartments, Inc., a corporation owned 100% by People Incorporated Housing Group.

The Organization holds a .009% ownership interest in Valley Vista Apartments, LLC as a general partner through Vista Apartments Management, Inc., a corporation owned 100% by People Incorporated Housing Group.

The Organization holds a .009% ownership interest in Pulaski Village, LLC as a general partner through People Incorporated Housing Group.

The Organization holds a .009% ownership interest in Jonesville Manor, LLC as a general partner through People Incorporated Housing Group.

The Organization holds a .009% ownership interest in Abingdon Green, LLC as a general partner through People Incorporated Housing Group.

The Organization holds a .009% ownership interest in Norton Green, LLC as a general partner through People Incorporated Housing Group.

The Organization holds a .009% ownership interest in Dante Crossing, LLC as a general partner through Dante Crossing Apartments Management, Inc., a corporation owned 100% by People Incorporated Housing Group.

The Organization holds a .009% ownership interest in Sweetbriar, LP as a general partner through Sweetbriar Apartments Management, Inc., a corporation owned 100% by People Incorporated Housing Group.

The Organization holds a .01% ownership interest in Buchanan County Housing, LP as a general partner through Deskins Apartments, LLC, a corporation owned 100% by People Incorporated Housing Group.

The Organization holds a .009% ownership interest in Tom’s Brook Apartments, LLC as a general partner through People Incorporated Housing Group.

PEOPLE INCORPORATED HOUSING SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE L – RELATED PARTIES (CONTINUED)

The Organization holds a .009% ownership interest in Abingdon Village Apartments, LLC as a general partner through People Incorporated Housing Group.

The Organization holds a .009% ownership interest in Abingdon Terrace Apartments, LLC as a general partner through People Incorporated Housing Group.

The Organization holds a .009% ownership interest in Clinch View Manor Apartments, LLC as a general partner through People Incorporated Housing Group.

The Organization holds a .009% ownership interest in Spruce Hill Apartments, LLC as a general partner through People Incorporated Housing Group.

The Organization holds a .009% ownership interest in West Lance Apartments, LLC as a general partner through People Incorporated Housing Group.

The Organization holds a .009% ownership interest in Brunswick Manor Apartments, LLC as a general partner through People Incorporated Housing Group.

The Organization holds a .009% ownership interest in Culpeper Crossing, LLC as a general partner through People Incorporated Housing Group.

The Organization holds a .009% ownership interest in Millview Apartments, LLC as a general partner through People Incorporated Housing Group.

The Organization holds a .009% ownership interest in Essex Manor Apartments, LLC as a general partner through People Incorporated Housing Group.

The Organization holds a .009% ownership interest in Pennington Gap Apartments, LLC as a general partner through People Incorporated Housing Group.

The Organization 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 through People Incorporated Housing Group. TNRD Portfolio, LLC owns 100% of six Low-Income Housing Tax Credit properties located in Tennessee.

The Organization holds 100% ownership in Luray Meadows, LLC through People Incorporated Housing Group.

PEOPLE INCORPORATED HOUSING SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE M - ACQUISITIONS

In December 2016, the Organization acquired the investor's ownership interest in Buchanan County Housing, LLC, an affordable housing property located in Deskins, Virginia. Buchanan County Housing, LLC was created in 2000 to own and operate an affordable housing property comprised of 20 units. The LLC received Low Income Housing Tax Credits (LIHTC) and reached the end of its LIHTC compliance period in December 2015. The Organization acquired the property to maintain the property as an affordable housing community. Total consideration of \$10,000 in cash was transferred to the investor owner for acquisition of all of the assets of the LLC and assumption of all debt. No goodwill was recognized in the acquisition. The acquisition added \$1,922,116 in building and building improvements to the balance sheet, as well as cash, rent receivables, escrow balances and the assumption of a \$750,000 mortgage payable. Results of operations from Buchanan County Housing, LLC have been consolidated since the acquisition.

During the year, the mortgage payable was forgiven by the lender. Debt forgiveness of \$750,000 is included in other revenues.