

People Incorporated of Virginia and Affiliates

Consolidated Financial Statements
and Supplementary Information

Year Ended June 30, 2025



People Incorporated of Virginia and Affiliates

Year Ended June 30, 2025

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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 INCORPORATED FINANCIAL SERVICES
AND PEOPLE INCORPORATED HOUSING GROUP
BOARD OF DIRECTORS**

People Incorporated Financial Services

1. Jan Selbo
2. David McCracken – Secretary
3. Charlotte Mullins - Chair
4. Alice Meade
5. Billy Taylor – Vice-Chair
6. William (Tripp) Butler
7. Tommy Burris
8. Peggy Kiser

People Incorporated Housing Group

1. David McCracken - Chair
2. Billy Taylor-Vice-Chair
3. Phil McCall-Treasurer
4. Jennifer Parker
5. John Ayers
6. Walter Mahala
7. Winona Fleenor
8. Chris Shortridge
9. Tommy Burris-Secretary
10. Jan Selbo
11. Anita Robinson
12. Peggy Kiser
13. Cathy Zielinski

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, 2025, 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, 2025, 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 the subsidiaries of People Incorporated Housing Group, Inc. were not audited in accordance with *Government Auditing Standards*.

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.

"Wipfli" is the brand name under which Wipfli LLP and Wipfli Advisory LLC and its respective subsidiary entities provide professional services. Wipfli LLP and Wipfli Advisory LLC (and its respective subsidiary entities) practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations, and professional standards. Wipfli LLP is a licensed independent CPA firm that provides attest services to its clients, and Wipfli Advisory LLC provides tax and business consulting services to its clients. Wipfli Advisory LLC and its subsidiary entities are not licensed CPA firms.

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 December 16, 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

Wipfli LLP

Madison, Wisconsin

December 16, 2025

People Incorporated of Virginia and Affiliates

Consolidated Statement of Financial Position

As of June 30, 2025

Assets	
Current assets:	
Cash and cash equivalents	\$ 7,938,194
Grants receivable	2,427,835
Accounts receivable, net of allowance for credit losses of \$107,345	557,732
Interest receivable	48,387
Inventory	55,548
Prepaid expenses and other assets	873,048
Notes receivable - Current, net	1,019,533
Total current assets	12,920,277
Other assets:	
Restricted cash	12,283,800
Right of use operating lease assets	387,778
Total other assets	12,671,578
Property and equipment, net	117,433,718
Long Term Assets: Notes receivable, net of allowance for credit losses of \$851,865 and current portion	3,725,023
TOTAL ASSETS	\$ 146,750,596

People Incorporated of Virginia and Affiliates

Consolidated Statement of Financial Position (Continued)

As of June 30, 2025

<i>Liabilities and Net Assets</i>	
Current liabilities:	
Notes payable, current portion	\$ 938,304
Mortgages payable, current portion	676,715
Operating lease liabilities, current portion	109,170
Accounts payable	1,645,457
Accrued payroll and related expenses	1,983,710
Security deposits and tenant payable	642,737
Accrued interest	398,032
Refundable advances	1,295,088
Total current liabilities	7,689,213
Long-term liabilities:	
Notes payable, net of current portion	2,713,799
Mortgages payable, net of current portion	58,007,498
Operating lease liabilities, net of current portion	284,085
Due to funding source	2,328,292
Total long-term liabilities	63,333,674
Total liabilities	71,022,887
Net assets without donor restrictions:	
Undesignated	41,431,267
Noncontrolling interest	28,397,936
Board designated - Reserve fund	3,307,280
Total without donor restrictions	73,136,483
With donor restrictions	2,591,226
Total net assets	75,727,709
TOTAL LIABILITIES AND NET ASSETS	\$ 146,750,596

See accompanying notes to consolidated financial statements.

People Incorporated of Virginia and Affiliates

Consolidated Statement of Activities

Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Grant revenue	\$ 0	\$ 20,063,680	\$ 20,063,680
New Market Tax Credit revenue	1,911,940	0	1,911,940
Closing fees	48,846	0	48,846
Contributions	89,518	0	89,518
Interest income	610,762	153,496	764,258
Developer fee	174,799	0	174,799
Rental income	8,502,822	0	8,502,822
Fee for service	1,830,689	0	1,830,689
Interest subsidy	568,109	0	568,109
Gain on sale of property and equipment	1,630	0	1,630
Other income	248,099	0	248,099
Contributed nonfinancial assets	1,147,151	0	1,147,151
Net assets released from restriction	20,571,275	(20,571,275)	0
Total support and revenue	35,705,640	(354,099)	35,351,541
Expenses:			
Program Services:			
Community Services	2,051,718	0	2,051,718
Community Economic Development	2,492,477	0	2,492,477
Children and Family Services	7,602,934	0	7,602,934
Housing	15,117,629	0	15,117,629
Workforce Development	1,721,165	0	1,721,165
Total program services	28,985,923	0	28,985,923
Management and general	5,408,613	0	5,408,613
Fundraising	554,686	0	554,686
Total expenses	34,949,222	0	34,949,222
Changes in net assets	756,418	(354,099)	402,319
Capital contributions	2,334,221	0	2,334,221
Capital distributions	(1,269,934)	0	(1,269,934)
Net assets - Beginning of year	71,315,778	2,945,325	74,261,103
Net assets - End of year	\$ 73,136,483	\$ 2,591,226	\$ 75,727,709

See accompanying notes to consolidated financial statements.

People Incorporated of Virginia and Affiliates

Consolidated Statement of Functional Expenses Year Ended June 30, 2025

	Community Services	Community Economic Development	Children & Family Services	Housing	Workforce Development	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,068,899	\$ 685,187	\$ 3,934,101	\$ 2,707,288	\$ 648,804	\$ 9,044,279	\$ 1,718,108	\$ 327,904	\$ 11,090,291
Fringe benefits	460,208	220,471	1,644,370	1,140,801	296,440	3,762,290	489,134	139,298	4,390,722
Travel	82,799	38,589	121,542	182,366	52,227	477,523	99,122	6,207	582,852
Material and supplies	96,333	20,001	731,656	1,065,883	116,879	2,030,752	266,734	3,458	2,300,944
Contractual	483	263,943	126,259	15,869	120,300	526,854	926,783	65,978	1,519,615
Maintenance	23,709	33,168	289,309	244,409	18,877	609,472	125,133	2,843	737,448
Occupancy	69,476	102,261	217,838	2,021,940	32,416	2,443,931	140,896	4,335	2,589,162
Insurance	11,275	5,923	97,274	446,477	33,085	594,034	246,935	1,150	842,119
Interest	0	44,039	0	1,656,957	0	1,700,996	12,292	0	1,713,288
Bad debts	0	904,890	0	64,150	0	969,040	(7,463)	0	961,577
Dues and licenses	3,582	0	8,541	120,000	597	132,720	67,861	300	200,881
Participant support costs	68,983	0	84,252	1,277,661	274,688	1,705,584	20,515	0	1,726,099
Other	77,307	174,005	60,530	324,081	63,491	699,414	132,600	694	832,708
Depreciation and amortization	30,727	0	56,002	3,771,793	63,361	3,921,883	1,169,963	2,519	5,094,365
In-kind expenses	57,937	0	231,260	77,954	0	367,151	0	0	367,151
Total Expenses	\$ 2,051,718	\$ 2,492,477	\$ 7,602,934	\$ 15,117,629	\$ 1,721,165	\$ 28,985,923	\$ 5,408,613	\$ 554,686	\$ 34,949,222

See accompanying notes to consolidated financial statements.

People Incorporated of Virginia and Affiliates

Consolidated Statement of Cash Flows

Year Ended June 30, 2025

Change in cash, cash equivalents, and restricted cash:

Cash flows from operating activities:

Change in net assets \$ 402,319

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

Loan loss provision 954,160

Depreciation and amortization 5,094,365

Non-cash lease expense 85,639

Amortization of debt issuance costs 90,069

Gain on sale of property and equipment (1,630)

Changes in operating assets and liabilities:

Grants receivable 904,450

Accounts receivable, net (72,505)

Interest receivable 39,690

Inventory (682)

Prepaid expenses and other assets (320,884)

Operating lease liabilities (81,052)

Accounts payable (18,883)

Accrued payroll and related expenses (271,552)

Security deposits and tenant payable 61,563

Accrued interest 135,098

Refundable advances (239,115)

Due to funding source (981,217)

Total adjustments 5,377,514

Net cash flows from operating activities 5,779,833

Cash flows from investing activities:

Proceeds from sale of property and equipment 5,882

Issuance of notes receivable (1,689,674)

Collection of notes receivable 1,318,305

Purchases of property and equipment (6,305,944)

Capital contributions 2,334,221

Capital distributions (1,269,934)

Net cash flows from investing activities (5,607,144)

People Incorporated of Virginia and Affiliates

Consolidated Statement of Cash Flows (Continued)

Year Ended June 30, 2025

Cash flows from financing activities:	
Proceeds from issuance of notes and mortgages payable	2,601,373
Principal payments on notes and mortgages payable	(2,113,930)
Net cash flows from financing activities	487,443
Net changes in cash, cash equivalents, and restricted cash	660,132
Cash, cash equivalents, and restricted cash beginning of year	19,561,862
Cash, cash equivalents, and restricted cash end of year	\$ 20,221,994
Reconciliation of cash, cash equivalents, and restricted cash:	
Cash and cash equivalents	\$ 7,938,194
Restricted cash	12,283,800
Total cash, cash equivalents, and restricted cash	\$ 20,221,994
Supplemental schedule of other cash and non-cash activities:	
Interest paid	\$ 1,553,677
Purchases of property and equipment with mortgages payable at year-end	\$ 8,014,002

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, 2025, People Inc. received approximately 57% of its total revenue from federal, state, and local government sources and 23% 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
Deskins 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 (WMPPII) 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 WMPPII 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. 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.

In a prior year, PINC acquired the limited partnership interest of the following LIHTC entities:

Abingdon Green, LLC
Pulaski Village, LLC

Norton Green, LLC
Sweetbriar, LP

During the year ended June 30, 2025, and effective as of December 31, 2024, PINC acquired the limited partnership interest of the following LIHTC entities:

Dante Crossings, LLC

Jonesville Manor, LLC

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, 2025.

No consideration was exchanged as part of the acquisition of limited partnership interests during the year ended June 30, 2025.

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*.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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).

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.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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

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 \$107,345 as of June 30, 2025. Subsequent recoveries, if any, are reported as charge off recovery income on the consolidated statement of activities.

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.

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.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Notes Receivable (Continued)

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

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.

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.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses (Continued)

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.

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 \$2,690,669 at June 30, 2025.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Tax Status (Continued)

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.

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.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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)

Revenue Recognition (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, 2025:

New Market Tax Credit revenue	\$ 1,911,940
Closing fees	48,846
Developer fee	174,799
Fee for service - LIHTC loans	1,624,081
Fee for service - Childcare fees	153,769
Fee for service - Other	52,839
<hr/>	
Total	\$ 3,966,274

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.

Developer fees are earned based on meeting contractual benchmarks during development of the LIHTC projects. People Inc determines the transaction price, which includes variable consideration involving significant estimates and judgment, based on projected cash flow of the projects, priority of payment, and past collection history.

Fee for service - LIHTC loans revenues are recognized upon successful closing of the loan and disbursement of the loan proceeds to the LIHTC property. People Inc. considers the performance obligation to be the successful equity closing of the project.

Childcare fees - 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 Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

People Inc. determined at June 30, 2025, that there were no services provided without a contract in place and, therefore, has no expected adjustments to receivables and revenue. There were \$50,304 in receivables from contracts with customers at July 1, 2024, and \$234,585 of such receivables as of June 30, 2025.

The key factor affecting the amount, timing and uncertainty of People Inc.'s revenue is its concentration of revenue attributed to rental income and grants. Management does not believe that People Inc. is exposed to any significant risk related to its concentration of revenues.

The following is an analysis of the timing of revenue recognized during the year ended June 30, 2025:

Revenue recognized at a point in time	\$ 3,966,274
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Total	\$ 3,966,274
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There are no contract assets or contract liabilities at June 30, 2025.

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 2025.

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, 2025, was \$1,036,164 with accumulated amortization of \$574,104 at June 30, 2025. Amortization expense was \$90,069 during 2025.

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 \$642,737 at June 30, 2025 are included in security deposits and tenant payable on the consolidated statement of financial position.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Contributed Nonfinancial Assets

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 2025 with a value of approximately \$1,363,000, 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.

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, 2024 through June 30, 2025.

Subsequent Events

People Inc. has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through December 16, 2025, which is the date the consolidated financial statements were available to be issued.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

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, 2025:

Cash and cash equivalents	\$ 7,938,194
Accounts receivable	557,732
Interest receivable	48,387
Notes receivable, current, net	1,019,533
<hr/>	
Subtotal financial assets	9,563,846
Less: Refundable advances included in financial assets	(237,801)
Less: Board designated - Reserve fund included in financial assets	(3,307,280)
<hr/>	
Total	\$ 6,018,765

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 \$6,903,000 at June 30, 2025, 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.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

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, 2025, are as follows:

Replacement reserve - PIHG	\$ 2,447,932
Operating reserve - PIHG	3,291,922
Security deposits - PIHG	594,962
Other reserves - PIHG	2,413,494
Escrow reserves - PIHG	1,219,641
Heartwood reserve fund - PINC	1,136,269
Head Start paid time off trust account - PINC	411,828
Lending program reserve - PIFS	767,752
<hr/>	
Total	\$ 12,283,800

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 \$746,498 on June 30, 2025, 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. In addition, PIFS operates other lending programs that have re-loan requirements resulting in restricted cash of \$21,254.

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 \$1,344,728 at June 30, 2025. The minimum credit loss reserve was \$201,709 at June 30, 2025, and the actual amount in the funded credit loss reserve amounted to \$420,952, included in SBA restricted cash, at June 30, 2025, which was in excess of the requirement at June 30, 2025 and is reported in restricted cash.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 5: Grants Receivable

Grants receivable represents the following amounts due from the various funding sources as of June 30, 2025:

Federal and state	\$ 2,129,788
Other sources	298,047
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Total	\$ 2,427,835

Note 6: Property and Equipment

A summary of property and equipment is as follows as of June 30, 2025:

Land	\$ 7,920,487
Land improvements	4,289,660
Buildings	111,902,903
Building improvements	19,315,063
Furniture and appliances	3,834,317
Vehicles	3,490,060
Software	21,900
Construction in progress	15,909,704
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Subtotal	166,684,094
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Less: Accumulated depreciation and amortization	(49,250,376)
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Total	\$ 117,433,718

There were construction commitments for the ongoing development of Lightfoot Apartments of approximately \$7,900,000 and for White's Mill Point II of approximately \$4,100,000 as of June 30, 2025.

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, 2025 was \$6,904,412, which is included in Buildings as disclosed above.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 7: Lessor Activity

PIHG owns housing projects that are a mix of low- to moderate-income housing facilities. PINC also owns office space that is leased to others. Leases are all for one year or less. A summary of the acquisition costs and accumulated depreciation on rented properties is as follows as of the year ended June 30, 2025:

Land	\$ 7,128,814
Land improvements	4,289,660
Buildings	93,488,166
Building improvements	18,507,886
Furniture and appliances	2,545,440
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Subtotal	125,959,966
Less Accumulated depreciation	(35,570,245)
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Total	\$ 90,389,721

Rental income on the housing projects for the year ended June 30, 2025, was \$8,230,656, which consists of \$5,074,619 of direct rental income for the year ended June 30, 2025, and \$3,156,037 of rental assistance. Rental income earned by PINC for the year ended June 30, 2025 was \$272,166, which consists of direct rental income through owned properties.

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, 2025, 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%. \$ 420,638

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%. 1,328,310

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%. 155,987

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 8: Notes Receivable (Continued)

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%. \$ 558,481

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%. 630,260

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. 2,964

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. 34,352

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%. 628,846

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%. 775,989

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 8: Notes Receivable (Continued)

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%.

\$ 460,594

Subtotal	5,596,421
Allowance for credit losses	(851,865)

Notes receivable, net	4,744,556
Less - current portion	(1,019,533)

Notes receivable, net - Long-term	\$ 3,725,023
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Revolving loan classifications at June 30, 2025 consist of the following:

Business	\$ 4,714,761
Consumer	881,660

Subtotal	5,596,421
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Allowance for credit losses - Business	(506,353)
Allowance for credit losses - Consumer	(345,512)

Total	\$ 4,744,556
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Detailed analysis of the allowance for credit losses for the year ended June 30, 2025, is as follows:

Balance at beginning	\$ 764,544
Loans charged off	(817,569)
Provision for credit losses	904,890

Balance at end	\$ 851,865
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Allowance for credit losses:	
Individually evaluated for impairment	\$ 352,220
Collectively evaluated for impairment	499,645

Total	\$ 851,865
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Bad debt expense related to accounts receivable was \$49,270 for the year ended June 30, 2025.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 8: Notes Receivable (Continued)

Detailed analysis of loans evaluated for impairment for the year ended June 30, 2025, is as follows:

	Business	Consumer	Total
Loans:			
Individually evaluated for impairment	\$ 233,643	\$ 118,577	\$ 352,220
Collectively evaluated for impairment	4,481,118	763,083	5,244,201
Total	\$ 4,714,761	\$ 881,660	\$ 5,596,421
Related allowance for credit losses:			
Individually evaluated for impairment	\$ 233,643	\$ 118,577	\$ 352,220
Collectively evaluated for impairment	272,710	226,935	499,645
Total	\$ 506,353	\$ 345,512	\$ 851,865

The following is a summary of information pertaining to impaired and nonperforming loans as of June 30, 2025:

Impaired loans with an allowance for credit loss	\$ 352,220
Total impaired loans	\$ 352,220
Allowance for credit losses related to impaired loans	\$ 352,220
Total nonaccrual loans	\$ -
Average investment in impaired loans	\$ 9,293
Interest income recognized on impaired loans	\$ 6,710

Information regarding the credit quality indicators most closely monitored as of June 30, 2025, is as follows:

	Performing	Non performing	Total
Credit exposure:			
Business	\$ 4,596,184	\$ 118,577	\$ 4,714,761
Consumer	648,017	233,643	881,660
Total	\$ 5,244,201	\$ 352,220	\$ 5,596,421

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 8: Notes Receivable (Continued)

Loan aging information for nonperforming loans for PIFS for the year ended June 30, 2025, is as follows:

	31-60 days	60-90 days	90+ days	Total past due loans
Business	\$ 3,086	\$ 3,087	\$ 3,087	\$ 9,260
Consumer	4,506	4,503	4,525	13,534
Total	\$ 7,592	\$ 7,590	\$ 7,612	\$ 22,794

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, 2025.

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 assets and lease liabilities 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.

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 9: Leases (Continued)

Components of lease expense were as follows for the year ended June 30, 2025:

Lease cost:	
Operating lease cost	\$ 103,778
<hr/>	
Total lease cost	\$ 103,778
<hr/>	

Supplemental cash flow information related to leases is as follows for the year ended June 30, 2025:

Operating cash flows from operating leases	\$ 98,511
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 311,528
Weighted-average remaining lease term - Operating leases, in years	3.78
Weighted-average discount rate - Operating leases	3.97 %

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

2026	\$ 122,387
2027	116,737
2028	83,666
2029	78,586
2030	21,638
<hr/>	
Total lease payments	423,014
Less: Imputed interest	(29,759)
<hr/>	
Total	\$ 393,255
<hr/>	

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 10: Notes Payable

Notes payable obligations consist of the following as of June 30, 2025:

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. \$ 674,992

Purchase of an office building in Abingdon, VA. The note has a 30 year amortization with interest payable at 4.00%. 549,078

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. 17,207

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. 37,173

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. 227,785

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. 478,129

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

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. 667,739

Subtotal	3,652,103
Less: Notes payable, current portion	(938,304)

Notes payable, net of current portion	\$ 2,713,799
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People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 10: Notes Payable (Continued)

Annual requirements to amortize long-term debt are as follows for the years ended June 30:

2026	\$ 938,304
2027	397,102
2028	783,224
2029	286,853
2030	232,176
Thereafter	1,014,444
Total	\$ 3,652,103

Interest expense incurred on notes payable for the year ended June 30, 2025 was \$52,704.

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, 2025. 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>PIHG</u>						
CDF Note Payable	6.00 %	9/30/2026	\$ -	\$ -	159,509	\$ 159,509
<u>Abingdon Green</u>						
VHDA Note Payable	4.05 %	06/01/2045	312	1,699	49,571	51,270
RHS Note Payable	9.50 %	05/31/2039	2,167	27,415	728,948	756,363
<u>Abingdon Terrace</u>						
DHCD Note Payable	- %	07/01/2030	-	-	374,000	374,000
RHS Note Payable	4.00 %	02/17/2044	1,742	8,299	739,535	747,834
<u>Abingdon Village</u>						
DHCD Note Payable	- %	07/01/2031	-	-	425,000	425,000
RHS Note Payable	3.13 %	12/31/2050	1,449	8,388	592,654	601,042
<u>Baileyton Terrace</u>						
Churchill Mortgage Investment, LLC	4.40 %	12/01/2059	8,907	22,034	1,918,295	1,940,329
RHS Note Payable	3.00 %	12/31/2049	-	-	1,163,294	1,163,294
<u>Brunswick Manor</u>						
VHDA Note Payable	1.00 %	11/02/2033	-	-	700,000	700,000
RHS Note Payable	2.88 %	11/30/2046	2,699	14,852	1,147,152	1,162,004

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	2,877	16,877	1,166,609	1,183,486
<u>Culpeper Crossing</u>						
VHDA Note Payable	0.18 %	09/01/2051	7,077	81,085	2,096,188	2,177,273
DHCD Note Payable	1.00 %	09/01/2051	-	-	700,000	700,000
<u>Dante Crossing</u>						
VHDA Note Payable	2.75 %	06/01/2045	1,013	7,090	179,739	186,829
DHCD Note Payable	1.00 %	05/06/2030	-	-	304,000	304,000
<u>Essex Manor Apartment</u>						
VHDA Note Payable	2.95 %	07/01/2050	1,114	6,489	230,318	236,807
DHCD Note Payable	1.00 %	06/08/2050	-	-	700,000	700,000
RHS Note Payable	3.75 %	12/17/2048	2,809	11,757	1,246,881	1,258,638
<u>Greeneville Landing</u>						
Churchill Mortgage Investment, LLC	4.40 %	12/01/2059	7,359	18,131	1,584,330	1,602,461
RHS Note Payable	3.00 %	12/01/2049	-	-	1,041,303	1,041,303
<u>Jamestown Village</u>						
Churchill Mortgage Investment, LLC	4.40 %	12/01/2059	5,650	13,926	1,216,880	1,230,806
RHS Note Payable	3.00 %	12/01/2049	-	-	1,031,312	1,031,312
<u>Jonesville Manor</u>						
VHDA Note Payable	5.95 %	07/31/2041	1,079	5,150	128,735	133,885
RHS Note Payable	8.75 %	02/05/2040	2,912	31,982	1,009,690	1,041,672
<u>Lightfoot Apartments</u>						
Construction Note Payable	6.50 %	09/01/2051	-	-	8,014,002	8,014,002
<u>Luray Meadows</u>						
VHDA Note Payable	1.25 %	02/01/2058	6,573	52,749	2,061,901	2,114,650
VHDA Note Payable	1.00 %	02/01/2058	-	-	700,000	700,000
<u>Millview Apartment</u>						
VHDA Note Payable	1.25 %	09/01/2051	8,331	72,435	2,163,849	2,236,284
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	24,029	2,099,714	2,123,743
RHS Note Payable	3.00 %	12/31/2041	-	-	1,120,466	1,120,466
<u>Newport Village</u>						
Churchill Mortgage Investment, LLC	4.40 %	12/01/2059	5,074	12,506	1,092,806	1,105,312
RHS Note Payable	3.00 %	12/31/2041	12	-	1,103,216	1,103,216
<u>Norton Green</u>						
VHDA Note Payable	4.55 %	04/01/2045	1,481	7,350	224,625	231,975
DHDC Note Payable	3.00 %	04/01/2030	-	-	170,000	170,000
RHS Note Payable	8.75 %	07/01/2041	2,892	31,409	1,004,354	1,035,763

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>Pennington Gap Apartment</u>						
VHDA Note Payable	1.00 %	04/01/2050	\$ -	\$ -	\$ 700,000	\$ 700,000
RHS Note Payable	3.50 %	11/12/2048	2,780	12,387	1,227,429	1,239,816
Note Payable - Virginia Housing Trust Fund	1.00 %	04/01/2050	-	-	340,000	340,000
<u>Pulaski Village</u>						
VHDA Note Payable	4.55 %	04/01/2045	3,382	17,086	512,505	529,591
DHDC Note Payable	3.00 %	04/01/2030	-	-	107,000	107,000
RHS Note Payable	9.25 %	06/29/2040	2,986	34,721	1,029,773	1,064,494
<u>Riverside (Rock School Apartments)</u>						
VHDA Note Payable	2.50 %	12/01/2042	632	4,951	102,489	107,440
DHCD Note Payable	1.00 %	12/01/2032	-	-	500,000	500,000
RHS Note Payable	- %	12/31/2061	-	-	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	2,616	15,343	1,060,538	1,075,881
<u>Sweetbriar</u>						
VHDA Note Payable	4.00 %	03/01/2045	2,289	12,674	362,016	374,690
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	18,667	1,632,061	1,650,728
RHS Note Payable	3.00	12/31/2049	-	-	1,181,040	1,181,040
<u>Toms Brook School</u>						
VHDA Note Payable	2.50 %	06/01/2044	1,245	9,420	216,291	225,711
DHCD Note Payable	1.00 %	06/01/2029	-	-	483,167	483,167
<u>Valley Vista</u>						
VHDA Note Payable	5.30 %	06/01/2041	11,828	61,899	1,466,685	1,528,584
DHCD Note Payable	2.00 %	06/01/2031	-	-	500,000	500,000
<u>West Lance Apartments</u>						
DHCD Note Payable	- %	10/01/2029	-	-	216,557	216,557
RHS Note Payable	3.13 %	03/17/2043	2,369	13,915	961,869	975,784
<u>Whites Mill Point</u>						
DHCD Note Payable	- %	06/01/2061	-	-	650,000	650,000
FAHE Note Payable	6.75 %	10/31/2026	-	-	1,391,993	1,391,993

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 11: Mortgages Payable (Continued)

	Current	Long-Term	Total
Subtotal mortgages payable	\$ 676,715	\$59,043,662	\$59,720,377
Less: Permanent loan costs, net of amortization of \$574,104	-	(1,036,164)	(1,036,164)
Mortgages payable, net	\$ 676,715	\$58,007,498	\$58,684,213

Approximate future annual minimum principal payments as of June 30, 2025 are as follows:

2026	\$ 676,715
2027	2,096,736
2028	1,139,489
2029	985,150
2030	1,379,223
Thereafter	53,443,064
Total	\$ 59,720,377

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 8%. The effective rate is at the Prime rate plus 0.50%, which was 7.50% at June 30, 2025. The line of credit matures on October 6, 2026. The line of credit is collateralized by a deed of trust. There were no amounts drawn on the line of credit at June 30, 2025.

Note 13: Refundable Deposits

People Inc. holds a deposit from the Southwest Virginia Cultural Heritage Commission in the amount of \$1,136,269, 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, 2025 were \$3,308.

Note 14: Net Assets with Donor Restriction

Net assets with donor restrictions are restricted for the following purposes for the year ended June 30, 2025.

PIFS lending programs	\$ 2,591,226
Total	\$ 2,591,226

People Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 14: Net Assets with Donor Restriction (Continued)

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, 2025, \$20,571,275 was released through satisfaction of program restrictions.

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, 2025:

	Controlling Interest	Noncontrolling Interest	Total
Balance at July 1, 2024	\$ 52,816	\$ 31,247,390	\$ 31,300,206
Capital contributions	-	2,205,762	2,205,762
Changes in net assets without donor restrictions	103	(1,074,071)	(1,073,968)
Elimination of PINC's limited partnership interest	-	(3,981,145)	(3,981,145)
Balance at June 30, 2025	\$ 52,919	\$ 28,397,936	\$ 28,450,855

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, 2025:

Reserve fund	\$ 3,307,280
Total	\$ 3,307,280

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 Incorporated of Virginia and Affiliates

Notes to Consolidated Financial Statements

Note 17: Contingent Liabilities and Commitments (Continued)

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, 2025 related to Lightfoot and WMP II.

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 for the year ended June 30, 2025. As of June 30, 2025, neither loan is in default reserves have been set aside for both locations and are included as part of board designated net assets.

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, 2025:

Capital Magnet Fund	\$ 2,250,000
Other funding sources	78,292
<hr/>	
Total	<u>\$ 2,328,292</u>

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, 2025, People Inc. had commitments under various grants of approximately \$6,903,000. 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 consisted of the following for the year ended June 30, 2025:

Supplies	\$	99,717
Donated facilities		233,397
Professional volunteer time and services		34,037
Land contributed to PIHG		780,000
<hr/>		
Total	\$	1,147,151

People Inc. recognized contributed nonfinancial assets within revenue, including contributed supplies, use of facilities, professional volunteer time and services, and land. 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.

Donated land was related to a donation to the Lightfoot property as part of the equity closing for the housing project, and as such not included in in-kind expenses on the consolidated statement of functional expenses. Donated land was valued at the fair market value of comparable assets in the same locality.

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, 2025, was \$150,990.

Note 23: Acquisition

On October 22, 2024, White's Mill Point II Apartments, LLC entered into and closed on an option to purchase the White's Mill Point, LP property for consideration of \$1,565,000. In connection with the financing of the project, there will be an additional unrelated limited partner in exchange for a capital contribution. As a result of the transaction, White Mills Point, LP will cease to exist. There were no assets or liabilities acquired as a result of the transaction due to White's Mill Point II Apartments, LLC already being consolidated with PIHG.

Supplementary Information

People Incorporated of Virginia and Affiliates

Consolidating Schedule of Financial Position

As of June 30, 2025

Assets					
	PINC*	PIFS*	PIHG	Eliminations	Consolidated
Current assets:					
Cash and cash equivalents	\$ 2,267,306	\$ 1,963,917	\$ 3,706,971	\$ 0	\$ 7,938,194
Grants receivable	2,126,678	301,157	0	0	2,427,835
Accounts receivable, net of allowance for credit losses of \$107,345	81,665	228,383	247,684	0	557,732
Interest receivable	0	48,387	0	0	48,387
Inventory	55,548	0	0	0	55,548
Prepaid expenses and other assets	254,175	29,333	589,540	0	873,048
Notes receivable - Current, net	0	1,019,533	0	0	1,019,533
Total current assets	4,785,372	3,590,710	4,544,195	0	12,920,277
Other assets:					
Restricted cash	1,548,097	767,752	9,967,951	0	12,283,800
Right of use operating lease assets	387,778	0	0	0	387,778
Total other assets	1,935,875	767,752	9,967,951	0	12,671,578
Property and equipment, net	12,828,663	0	104,605,055	0	117,433,718
Long Term Assets:					
Notes receivable, net of allowance for credit losses of \$851,865 and current portion	0	3,725,023	0	0	3,725,023
Investment in limited partnerships	3,981,145	0	0	(3,981,145)	0
Related party receivable	6,470,600	0	0	(6,470,600)	0
Total long term assets	10,451,745	3,725,023	0	(10,451,745)	3,725,023
TOTAL ASSETS	\$ 30,001,655	\$ 8,083,485	\$ 119,117,201	(\$ 10,451,745)	\$ 146,750,596
Liabilities and Net Assets					
Current liabilities:					
Notes payable, current portion	\$ 93,385	\$ 844,919	\$ 0	\$ 0	\$ 938,304
Mortgages payable, current portion	0	0	676,715	0	676,715
Operating lease liabilities, current portion	109,170	0	0	0	109,170
Accounts payable	311,890	0	1,333,567	0	1,645,457
Accrued payroll and related expenses	1,944,746	0	38,964	0	1,983,710
Security deposits and tenant payable	0	0	642,737	0	642,737
Accrued interest	8,826	0	389,206	0	398,032
Refundable advances	1,262,353	32,735	0	0	1,295,088
Due to related party	0	71,466	6,399,134	(6,470,600)	0
Total current liabilities	3,730,370	949,120	9,480,323	(6,470,600)	7,689,213
Long-term liabilities:					
Notes payable, net of current portion	1,185,065	1,528,734	0	0	2,713,799
Mortgages payable, net of current portion	0	0	58,007,498	0	58,007,498
Operating lease liabilities, net of current portion	284,085	0	0	0	284,085
Due to funding source	0	0	2,328,292	0	2,328,292
Total long-term liabilities	1,469,150	1,528,734	60,335,790	0	63,333,674
Total liabilities	5,199,520	2,477,854	69,816,113	(6,470,600)	71,022,887
Net assets without donor restrictions:					
Undesignated	21,494,855	3,014,405	16,922,007	0	41,431,267
Noncontrolling interest	0	0	32,379,081	(3,981,145)	28,397,936
Board designated - Reserve fund	3,307,280	0	0	0	3,307,280
Total without donor restrictions	24,802,135	3,014,405	49,301,088	(3,981,145)	73,136,483
With donor restrictions	0	2,591,226	0	0	2,591,226
Total net assets	24,802,135	5,605,631	49,301,088	(3,981,145)	75,727,709
TOTAL LIABILITIES AND NET ASSETS	\$ 30,001,655	\$ 8,083,485	\$ 119,117,201	(\$ 10,451,745)	\$ 146,750,596

*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, 2025

	PINC*	PIFS*	PIHG	Eliminations	Consolidated
Support and Revenue:					
Grant revenue	\$ 18,008,505	\$ 1,155,175	\$ 900,000	\$ 0	\$ 20,063,680
New Market Tax Credit revenue	0	1,911,940	0	0	1,911,940
Closing fees	0	48,846	0	0	48,846
Contributions	89,518	0	0	0	89,518
Interest income	232,508	373,430	158,320	0	764,258
Developer fee	64,650	0	110,149	0	174,799
Rental income	272,166	0	8,230,656	0	8,502,822
Fee for service	1,123,694	52,839	1,624,081	(969,925)	1,830,689
Interest subsidy	0	0	568,109	0	568,109
Gain on sale of property and equipment	1,630	0	0	0	1,630
Loss on investment in subsidiaries	(1,216,688)	0	0	1,216,688	0
Other income	16,899	0	231,200	0	248,099
Contributed nonfinancial assets	367,151	0	780,000	0	1,147,151
Total support and revenue	18,960,033	3,542,230	12,602,515	246,763	35,351,541
Expenses:					
Program Services:					
Community Services	2,051,718	0	0	0	2,051,718
Community Economic Development	0	2,492,477	0	0	2,492,477
Children and Family Services	7,602,934	0	0	0	7,602,934
Housing	3,995,310	0	12,092,244	(969,925)	15,117,629
Workforce Development	1,721,165	0	0	0	1,721,165
Total program services	15,371,127	2,492,477	12,092,244	(969,925)	28,985,923
Management and general	5,262,901	130,712	15,000	0	5,408,613
Fundraising	554,686	0	0	0	554,686
Total expenses	21,188,714	2,623,189	12,107,244	(969,925)	34,949,222
Changes in net assets	(2,228,681)	919,041	495,271	1,216,688	402,319
Capital contributions	1,275,309	0	2,334,221	(1,275,309)	2,334,221
Capital distributions	0	0	(1,269,934)	0	(1,269,934)
Net assets - Beginning of year	25,755,507	4,686,590	47,741,530	(3,922,524)	74,261,103
Net assets - End of year	\$ 24,802,135	\$ 5,605,631	\$ 49,301,088	(\$ 3,981,145)	\$ 75,727,709

*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, 2025

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	\$ 33,009
Child and Adult Care Food Program		10181	182,586
		Subtotal AL #10.558	215,595
<u>Direct Grant</u>			
Community Facilities Loans	10.766	None noted	1,267,973
Total U.S. DEPARTMENT OF AGRICULTURE			1,483,568
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<u>Passed through Virginia Housing Development Authority</u>			
HHD-HUD Housing Counseling FY24	14.169	HSS26717	31,310
HHD-HUD Housing Counseling FY23		HC220341002	17,775
		Subtotal AL #14.169	49,085
HOMEownership Down Payment Assistance Program	14.239	24-DPA-07	55,670
<u>Passed through Local Initiatives Support Corporation</u>			
Project Trammel Community Revitalixation VA Energy	14.251	B-22-CP-VA-0903	99,792
<u>Direct Grant</u>			
CoC HUD Foothills Permanent Supportive Housing Program	14.267	VA0285L3F212206	37,493
CoC HUD Foothills Permanent Supportive Housing Program		VA0285L3F212307	225,126
		Subtotal AL #14.267	262,619
<u>Direct Grant</u>			
2024 Housing Trust Fund Homeless Reduction Grant Foothills	14.321	24-HTF-046	90,397
2024 Housing Trust Fund Homeless Reduction Grant Foothills		25-HTF-042	6,847
2024 Housing Trust Fund Homeless Reduction Cumberland Plateau		24-HTF-037	81,123
2025 Housing Trust Fund Homeless Reduction Cumberland Plateau		25-HTF-037	35,019
		Subtotal AL #14.321	213,386
Housing Voucher Cluster			
<u>Direct Grant</u>			
Section 8 Housing Choice Vouchers	14.871	VA042	526,212
HUD Main Stream Vouchers	14.879	VA042	398,138
		Subtotal Housing Voucher Cluster	924,350
Total U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			1,604,902

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, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
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	8,582
DJCS Sexual Assault Services Program		25-O2119SP24	14,680
		Subtotal AL #16.017	23,262
Victim Services Grant Program VSGP SFY 2025	16.574	25-E3581VPNC-22	193,899
Court Appointed Special Advocates CASA	16.575	528441	228,899
Victim Service VSTOP Formula Grant Program	16.588	24-T4435VA22	1,520
Victim Service VSTOP Formula Grant Program		24-T4435VA22	9,976
		Subtotal AL #16.588	11,496
<u>Passed through Southwest Virginia Legal Aid Society, Inc.</u>			
RURAL Program Grant from DOJ on VAWA	16.589	2020-WR-AX-0047	245
		Total U.S. DEPARTMENT OF JUSTICE	457,801
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-2301	357,561
Workforce Investment Board WIOA (Youth)	17.259	WIOA-2301	469,501
Workforce Investment Board WIOA (DLW)	17.278	WIOA-2301	222,367
		Total WIOA CLUSTER AND U.S. DEPARTMENT OF LABOR	1,049,429
U.S. DEPARTMENT OF THE TREASURY			
<u>Passed through Virginia Community Action Partnership</u>			
VITA Program	21.009	24VITA0153	18,000
VITA Program		25VITA0039	19,635
VITA Program		VACAP25	25,000
		Subtotal AL #21.009	62,635
<u>Direct Grant</u>			
Capital Magnet Fund Assistance	21.011	231CM062488	900,000
<u>Direct Grant</u>			
Small Dollar Loan Program	21.025	24SDL064109	128,490
<u>Passed through Commonwealth of Virginia Department of Criminal Justice Services</u>			
COVID-19 American Rescue Plan FY25	21.027	25-D3581ARPA-NC-SDV	42,587
<u>Direct Grant</u>			
CDFI Equitable Recovery Program	21.033	22ERP061284	245,000
		Total U.S. DEPARTMENT OF TREASURY	1,378,712

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, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
SMALL BUSINESS ADMINISTRATION			
<u>Direct Grant</u>			
SBA Microloan 2024	59.046	SBAOCaML240646-01-00	435,735
SBA Loans		None	1,722,345
Total AL #59.046 and SMALL BUSINESS ADMINISTRATION			2,158,080
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	202,485
Weatherization Assistance Program		24-WX-16	92,466
Weatherization Assistance Program		23-WDR-16	16,974
Weatherization Assistance Program		25-WDR-16	10,403
Weatherization Assistance Program		22-WX-16	3,288
Weatherization Assistance Program		23-WX-16	12,245
Weatherization Assistance Program		24-WX-16	12,464
Total AL #81.042 and U.S. DEPARTMENT OF ENERGY			350,325
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed through Families Forward</u>			
CHIP of Virginia	93.558	2024-2025	326,973
CHIP of Virginia FY24		2023-2024	(21,976)
<u>Passed through Virginia Department of Social Services</u>			
New River Valley TANF Grant	93.558	BEN 24-022-11	437,620
Southwest Virginia TANF Employment Services		BEN-24-060-15	311,261
CHIP of Virginia TANF FY24		BEN-22-099-10	(44,133)
Subtotal AL #93.558			1,009,745
<u>Passed through VA Department of Housing and Community Development</u>			
LIHEAP Weatherization Assistance Program	93.568	23-LI-16	30,311
LIHEAP Weatherization Assistance Program		24-LI-16	220,141
Subtotal AL #93.568			250,452
<u>Passed through Virginia Department of Social Services</u>			
RISE IDA Grant	93.569	CVS-19-063-17	75,759
Community Service Block Grant		CVS-19-063-17	1,234,341
Community Service Block Grant		CVS-19-063-17	1,067,945
VA CARES Federal Funds		VACARES FY25	254,401
Subtotal AL #93.569			2,632,446
<u>Direct Grant</u>			
People Incorporated of VA CED PolyCap	93.570	90EE1282-01-00	17,351

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, 2025

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	<u>26,942</u>
VA Dept. of Social Services Domestic Violence	93.592	FAM-22-078-29	<u>165,382</u>
Head Start Cluster			
<u>Direct Grant</u>			
Head Start & Early Head Start	93.600	03CH011740-05-01	5,787,475
Head Start & Early Head Start		03CH011740-06-00	2,619,340
		Subtotal Head Start Cluster AL #93.600	<u>8,406,815</u>
<u>Direct Grant</u>			
Resident Supportive Services	93.647	90EAH0002-01-01	17,160
Resident Supportive Services		90EAH0002-01-02	23,173
		Subtotal Head Start Cluster AL #93.647	<u>40,333</u>
<u>Passed through Virginia Department of Health</u>			
COVID-19 VA Dept. Health CHIP ARPA	93.870	705BR220015	28,926
Maternal, Infant, and Early Childhood Home Visiting		705A210081	72,530
Maternal, Infant, and Early Childhood Home Visiting		705A210081	188,470
		Subtotal AL #93.870	<u>289,926</u>
<u>Passed through United Way</u>			
Emergency Food & Shelter Program	97.024	None noted	<u>500</u>
		Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	<u>12,839,892</u>
		TOTAL FEDERAL EXPENDITURES	<u>\$ 21,322,709</u>

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, 2025

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, 2025. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

People Inc. has not elected to use the up to 15-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, 2024	\$ 576,090
Repayments - Principal	<u>27,012</u>
Balance at June 30, 2025	\$ 549,078

People Incorporated of Virginia and Affiliates

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2025

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, 2024	\$ 691,883
Repayments - Principal	<u>16,891</u>
Balance at June 30, 2025	\$ 674,992

Federal expenditures for the U.S. Small Business Administration ("SBA") microloan program includes the balance of three outstanding loans under AL #59.046. These particular loans were funded by loans from the SBA to People Incorporated Financial Services and for which SBA imposes continuing compliance requirements. Activity for each loan is summarized below:

Loan Number	Original Principal	Monthly Principal	Balance at July 1, 2024	Proceeds Received	Repayments	Balance at June 30, 2025
9394915007	\$ 800,000	\$ 7,407	\$ 340,410	\$ -	\$ (112,625)	\$ 227,785
3644897002	1,000,000	9,471	590,921	-	(112,792)	478,129
6373458209	1,000,000	10,273	791,014	-	(123,275)	667,739

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, 2025 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 December 16, 2025. The financial statements of the subsidiaries of People Incorporated Housing Group, Inc. 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.

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 People Incorporated of Virginia and Affiliates' consolidated 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 or significant deficiencies may exist that were not identified.

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*.

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.

The logo for Wipfli LLP, featuring the name "Wipfli LLP" in a stylized, handwritten-style font.

Wipfli LLP

Madison, Wisconsin
December 16, 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, 2025. 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, 2025.

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.

"Wipfli" is the brand name under which Wipfli LLP and Wipfli Advisory LLC and its respective subsidiary entities provide professional services. Wipfli LLP and Wipfli Advisory LLC (and its respective subsidiary entities) practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations, and professional standards. Wipfli LLP is a licensed independent CPA firm that provides attest services to its clients, and Wipfli Advisory LLC provides tax and business consulting services to its clients. Wipfli Advisory LLC and its subsidiary entities are not licensed CPA firms.

Auditor's Responsibilities 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.

Report on Internal Control Over Compliance

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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
December 16, 2025

People Incorporated of Virginia and Affiliates

Schedule of Findings and Questioned Costs

Year Ended June 30, 2025

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? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X 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)? _____ Yes X No

Identification of major federal programs

<u>AL Number(s)</u>	<u>Federal Program or Cluster</u>
21.011	Capital Magnet Fund
59.046	SBA Microloan
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, 2025

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

Section IV - Summary Schedule of Prior Year 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.

Finding Status / Resolution: Similar instances were not identified during the current year's audit and as a result the matter identified is considered resolved.

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.

Finding Status / Resolution: Similar instances were not identified during the current year's audit and as a result the matter identified is considered resolved.