

PEOPLE INCORPORATED FINANCIAL SERVICES

Abingdon, Virginia

AUDITED FINANCIAL REPORT

June 30, 2021

PEOPLE INCORPORATED FINANCIAL SERVICES

Abingdon, Virginia

AUDITED FINANCIAL STATEMENTS

June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of People Incorporated Financial Services as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued a report, dated December 14, 2021, on our consideration of People Incorporated Financial Services' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering People Incorporated Financial Services' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Hicok, Brown & Company". The signature is written in a cursive, flowing style.

HICOK, BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

December 14, 2021

Thomas M. Hicok, CPA, CVA, MAFF ¹
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of People Incorporated Financial Services (a nonprofit organization), which comprise of the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated December 14, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether People Incorporated Financial Services' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Hicok, Brown & Company". The signature is written in a cursive, flowing style.

HICOK, BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

December 14, 2021

People Incorporated Financial Services
Statement of Financial Position
June 30, 2021

	<u>Total</u>
<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 2,435,301
Accounts Receivable	312,969
Interest Receivable	32,173
Prepaid Expenses and Deposits	249
People Incorporated Receivable	3,320,273
Total Current Assets	<u>6,100,965</u>
Long-term Assets:	
Notes receivable (Net of allowance for bad debts of \$57,542)	<u>3,367,560</u>
Total Long-term Assets	<u>3,367,560</u>
Other Assets:	
Investments	<u>12,432</u>
Total Other Assets	<u>12,432</u>
Total Assets	<u>\$ 9,480,957</u>
<u>Liabilities & Net Assets</u>	
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable	\$ 41,324
Deferred Revenue	36,888
Notes payable - current	187,059
Total Current Liabilities	<u>265,271</u>
Long-term Liabilities:	
Notes payable - net of current	2,020,436
Compensated Absences	236,784
Total Long-term Liabilities	<u>2,257,220</u>
Total Liabilities	2,522,491
<u>Net Assets</u>	
Without Donor Restrictions	
Undesignated	<u>3,611,211</u>
Total Without Donor Restriction	3,611,211
With Donor Restriction	<u>3,347,255</u>
Total Net Assets	<u>6,958,466</u>
Total Liabilities & Net Assets	<u>\$ 9,480,957</u>

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

People Incorporated Financial Services
Abingdon, Virginia
Statement of Activities
For The Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Grants	\$ 550,000	\$ 688,785	\$ 1,238,785
Other	1,291,675	-	1,291,675
Interest	108,605	84,599	193,204
Satisfaction of program restrictions	<u>627,615</u>	<u>(627,615)</u>	<u>-</u>
Total Revenues	<u>2,577,895</u>	<u>145,769</u>	<u>2,723,664</u>
Expenses:			
Program Services:			
New Market Tax Credit	839,170	-	839,170
Small Business Administration	251,017	-	251,017
U.S. Treasury Loans	128,056	-	128,056
Support Services:			-
General & administrative	462,145	-	462,145
Sponsor fee	<u>460,000</u>	<u>-</u>	<u>460,000</u>
Total Expenses	<u>2,140,388</u>	<u>-</u>	<u>2,140,388</u>
Change in Net Assets	437,507	145,769	583,276
Net Assets At Beginning of Year	<u>3,173,704</u>	<u>3,201,486</u>	<u>6,375,190</u>
Net Assets At End of Year	<u><u>\$ 3,611,211</u></u>	<u><u>\$ 3,347,255</u></u>	<u><u>\$ 6,958,466</u></u>

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

People Incorporated Financial Services
 Abingdon, Virginia
 Statement of Functional Expenses
 For the Year Ended June 30, 2021

Expense Classification

<u>Fund</u>	<u>Salaries & Wages</u>	<u>Fringe Benefits</u>	<u>Travel</u>	<u>Material & Supplies</u>	<u>Contractual</u>	<u>Other</u>	<u>Totals</u>
New Market Tax Credit	\$ 457,792	\$ 105,206	\$ 1,934	\$ 3,758	\$ 169,243	\$ 561,237	\$ 1,299,170
U.S. Treasury Business Loans	65,197	26,958	484	2,533	944	31,940	128,056
SBA Micro Revolving Loans	125,410	50,608	-	4,479	577	69,943	251,017
General & Administrative	253,104	104,698	187	4,209	3,070	96,877	462,145
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 901,503</u>	<u>\$ 287,470</u>	<u>\$ 2,605</u>	<u>\$ 14,979</u>	<u>\$ 173,834</u>	<u>\$ 759,997</u>	<u>\$ 2,140,388</u>

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

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

	<u>Total</u>
Operating Activities:	
Change in net assets	\$ 583,276
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Allowance for bad debt	2,442
Net change in:	
Due from grantor & accounts receivable	(510,021)
Other Assets	(15,569)
Accounts Payable	(65,640)
Accrued expenses & other payables	<u>(65,677)</u>
Net Cash Provided/ (Used) by Operating Activities	<u>(71,189)</u>
Investment Activities:	
Investment in partnerships	(1,688)
Principal repayment on business loans	2,235,250
Loans to businesses	<u>(1,839,801)</u>
Net Cash Provided/ (Used) by Investing Activities	<u>393,761</u>
Financing Activities:	
Proceeds from long-term debt	500,000
Principal payments made on long-term debt	<u>(243,150)</u>
Net Cash Provided/ (Used) by Financing Activities	<u>256,850</u>
Increase in Cash	579,422
Cash and cash equivalents at Beginning of Year	<u>1,855,879</u>
Cash and cash equivalents at End of Year	<u>\$ 2,435,301</u>

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

People Incorporated Financial Services (“PIFS”) is a Virginia non-profit corporation. PIFS is a certified Community Development Financial Institution whose purpose is to utilize public monies awarded for the good of the community through its programs. 45% of the revenue received was through grants.

Estimates

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

Financial Statement Presentation

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

Classification of Net Assets

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

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

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

Fund Accounting

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Income Taxes

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

Cash and Cash Equivalents

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

Revenue Recognition

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Timing of Revenue Recognition	<u>June 30, 2021</u>
Revenue recognized over time	\$ 1,431,989
Revenue recognized at a point in time	<u>1,291,675</u>
Total revenue from operations	<u><u>\$ 2,723,664</u></u>

Notes Receivable

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

Allowance for Bad Debts

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

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

Related Party Receivable

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

Concentrations, Risks and Uncertainties

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

Subsequent Events

Subsequent events have been evaluated as of December 10, 2021, which is the date the financial statements were issued.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In June 2018, the FASB issued Accounting Standards Update 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies whether a transfer of assets is a contribution or an exchange transaction. The Update also clarifies whether a contribution is conditional which affects the timing of contribution revenue and expense recognition. The amendments in this update are effective for the Organization's year ending June 30, 2021 and is not expected to have a significant impact on the Organization's financial statements.

On July 1, 2020 the Organization adopted ASU 2014-09, Revenue from Contracts with Customers, And all subsequent amendments to the ASU (collectively, "ASU 606") which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. This standard replaced most of the existing revenue recognition guidance in GAAP when it became effective. The adoption of ASU 2014-09 did not result in any significant changes to the accounting for any of the Organization's material revenue streams.

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

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

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

NOTE B – FUNCTIONAL ALLOCATION OF EXPENSE

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

NOTE C – CASH

The Organization currently considers itself an affiliate of People Incorporated of Virginia. A portion of the cash for PIFS is maintained in a consolidated bank account with People. The Organization maintains other bank accounts based on funder requirements. As of June 30, 2021, the Organization had \$2,105,814 of cash in excess of FDIC coverage.

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

NOTE D – LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. The following table reflects the Organization's financial assets as of June 30, 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations.

Cash and cash equivalents	\$ 2,435,301
Investments	12,432
Accounts receivables	345,142
Total financial assets	<u>2,792,875</u>
Cash and cash equivalents with donor imposed restrictions	(1,586,910)
Investments with liquidity horizons greater than one year	<u>(12,432)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,193,533</u>

NOTE E – NOTES RECEIVABLE

Federation of Appalachian Housing Enterprises

The Organization was awarded \$100,000 in loan funds fiscal year 2006-2007 to make home rehabilitation loans to individuals. Notes receivable of \$4,765 at June 30, 2021 have terms ranging from three to ten years and bear interest at 8.25%. No write-offs were taken against these loans during the year ended June 30, 2021, and no loans are considered past due at June 30, 2021.

People Incorporated Financial Services
Notes to Financial Statements
June 30, 2021

NOTE E – NOTES RECEIVABLE (CONTINUED)

Tobacco Indemnification Commission (TICR)

Notes receivable of \$174,508 represents money due the program from loans made to organizations located throughout Southwest Virginia. The notes have terms ranging from three to thirteen years and bear interest at rates ranging from 2.25% to 9.5%. No write-offs were taken against these loans during the year ended June 30, 2021 and no loans are considered past due at June 30, 2021.

U.S. Treasury

Notes receivable of \$249,543 represents money due the program from loans made to small businesses throughout Southwest Virginia. The notes have terms ranging from one to six years and bear interest at rates ranging from 6.25% to 8.25%. Write-offs of \$0 were taken against these loans during the year ended June 30, 2021 and \$5,419 of these loans are considered past due at June 30, 2021.

Twin County Microenterprise CDBG

Notes receivable of \$19,688 have terms ranging from three to six years and bear interest at 6.25%; the loans were made to small businesses throughout Carroll County, Grayson County, and the City of Galax. Write-offs of \$798 were taken against these loans during the year ended June 30, 2021, and \$176 of these loans are considered past due at June 30, 2021.

SBA Microloan #4182935008

Notes receivable of \$1,733 represents money due the program from loans made to small businesses. The notes have terms ranging from three to six years and bear interest at rates ranging from 6.25% to 8.25%. No write-offs were taken against these loans during the year ended June 30, 2021, and no loans are considered past due at June 30, 2021.

SBA Microloan # 6085855005

Notes receivable of \$32,058 represents money due the program from loans made to small businesses with terms ranging from three to six years and bear interest at rates ranging from 6.25% to 8.25%. No write-offs were taken against these loans during the year ended June 30, 2021, and \$88 of these loans are considered past due at June 30, 2021.

SBA Microloan # 9394915007

Notes receivable of \$430,532 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%. Write-offs of \$4,607 were taken against these loans during the year ended June 30, 2021, and \$1,444 of these loans are considered past due at June 30, 2021.

SBA Microloan # 3644897002

Notes receivable of \$555,093 represents money due the program from loans made to small businesses with terms ranging from three to six years and bear interest at rates ranging from 6.25% to 8.25%. No write-offs were taken against these loans during the year ended June 30, 2021, and no loans are considered past due at June 30, 2021.

NOTE E – NOTES RECEIVABLE (CONTINUED)

Bristol Revolving Loan Fund

Notes receivable of \$64,917 have terms ranging from thirty months to five years and bear interest ranging from 0% to 6.25%; the loans were made to small businesses located in the City of Bristol, Virginia and Bristol, Tennessee. No write-offs were taken against these loans during the year ended June 30, 2021, and no loans are considered past due at June 30, 2021.

Rural Microenterprise Assistance Program

Notes receivable of \$40,686 have terms ranging from two to six years and bear interest at 6.25%; the loans were made to small businesses throughout the Organization's service areas in Virginia. No write-offs were taken against these loans during the year ended June 30, 2021, and \$2,296 of these loans are considered past due at June 30, 2021.

Warren-Clark Community Development Block Grant

Notes receivable of \$2,223 have terms of five years and bear interest at 6.25%. No write-offs were taken against these loans during the year ended June 30, 2021, and no loans are considered past due at June 30, 2021.

Deutsche Bank

The Organization was selected by Deutsche Bank to participate in its CDFI Partners Program. The Organization was approved for a loan of up to \$250,000 for use in the Organization's economic development program. Notes receivable of \$69,762 represents money due the program from loans made to consumers with terms of five years and bearing interest at 8.25%. No write-offs were taken against these loans during the year ended June 30, 2021, and \$14,188 of these loans are considered past due as of June 30, 2021.

Friends of Southwest Virginia

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

Offices of Community Services

The Organization received grant funding in the amount of \$750,000 to fund the establishment of the Community Action Financial Institute. Notes receivable of \$600,000 represents money due the program from a loan made to the Community Action Financial Institute. Note A in the amount of \$450,000 bears interest at .5% and is due on December 31, 2029. Note B in the amount of \$150,000 bears interest at .5% and may be subject to forgiveness on the maturity date if no default events occur during the term of the loan. On August 8, 2019, the Organization accepted a note with another Community Action Agency in exchange for full payoff of Note A. The note with the Community Action Agency bears interest at 1%; all other terms remain the same.

People Incorporated Financial Services
Notes to Financial Statements
June 30, 2021

NOTE E – NOTES RECEIVABLE (CONTINUED)

Fauquier County Community Development Block Grant

Notes receivable of \$21,579 have terms of five years and bear interest at 6.25%. No write-offs were taken against these loans during the year ended June 30, 2021 and \$9 of these loans are considered past due at June 30, 2021.

General Loan Pool

Notes receivable of \$353,813 have terms of five to ten years and bear interest ranging from 0% to 7.5%. Write-offs of \$7,417 were taken against these loans during the year ended June 30, 2021, and \$31,567 of these loans are considered past due at June 30, 2021.

Payday Lending Loans

Notes receivable of \$3,435 have terms of one to two years and bear interest at 14.95%. No write-offs were taken against these loans during the year ended June 30, 2021 and \$1,953 of these loans are considered past due at June 30, 2021.

Appalachian Community Capital Fund

The agency borrowed \$500,000 from Appalachian Community Capital to establish a fund for small businesses in the Appalachian region. Notes receivable of \$125,765 have terms of three to six year and bear interest at 7.5%. Write-offs of \$1,489 were taken against these loans during the year ended June 30, 2021 and \$953 of these loans are considered past due at June 30, 2021.

An allowance for bad debts of \$57,542 has been provided. The allowance is based on prior years' experience and management's analysis of specific loans and accounts.

NOTE F – NOTES PAYABLE OBLIGATIONS

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

	<u>Principal Balance as of June 30, 2021</u>
Microloan Program loan from the U.S. Small Business Administration. The note has a 10-year amortization with varying interest with the current rate at 0% Principal payments began in February 2015.	\$ 98,006
Microloan Program loan from the U.S. Small Business Administration. The note has a 10-year amortization with varying interest with the current rate at 0.09%. Principal payments begin in July 2018.	673,216
Rural Microenterprise Assistance Program loan from the U.S. Department of Agriculture. The note has a 20-year amortization with a 2.00% interest rate.	15,229
Microloan Program loan from the U.S. Small Business Administration. The note has a 10-year amortization with varying interest with the current rate at 0.5% Principal payments begin in October 2020.	921,044
Program loan from appalachian Community Capital. The loan is for a period of three years with an interest rate of 3.65% and can be used for originating loans to small businesses in the Appalachian Region. Interest only payments began October 2019.	500,000
TOTAL	<u>\$ 2,207,495</u>

People Incorporated Financial Services
Notes to Financial Statements
June 30, 2021

NOTE F – NOTES PAYABLE OBLIGATIONS (CONTINUED)

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

Year Ending	Principal
<u>30-Jun</u>	<u>Principal</u>
2022	\$ 187,059
2023	687,681
2024	138,870
2025	136,553
2026	138,131
2024-2031	919,201
	<u>\$ 2,207,495</u>

Interest expense incurred on notes payable for 2021 was \$34,909.

NOTE H – NET ASSETS

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

NOTE I – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

NOTE J – RELATED PARTY TRANSACTIONS

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