PEOPLE INCORPORATED OF VIRGINIA
AND AFFILIATES

CONSOLIDATED ANNUAL FINANCIAL REPORT

June 30, 2016

PEOPLE INCORPORATED OF VIRGINIA AND AFFILIATES

CONSOLIDATED ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

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PEOPLE INCORPORATED OF VIRGINIA AND AFFILIATES

BOARD OF DIRECTORS, ABINGDON, VIRGINIA

SECTOR I

Abingdon Terrace Apartments
Jean Neal
526 Lowry Drive, Apt. H
Abingdon, VA 24210

Dante Community
Bobbie Gullett
P.O. Box 321
Dante, VA 24237

Deskins Apartments
Larry H. Tiller
P. O. Box 232
Vansant, VA 24656

Head Start Policy Council
Billy P. Taylor
837 Portsmouth Avenue, Apt. A15
Bristol, VA 24201

Valley Vista Apartments
James E. Runion III
131 Valley Vista Drive, Apt. 101
Woodstock, VA 22664

Sweetbriar Apartments
Terry P. Mullins
16114 Gilbert Drive
Abingdon, VA 24210

Haysi Community
Larry D. Yates
P. O. Box 278
Haysi, VA 24256

Head Start - Parent
Rebecca Pippin
781 Baugh Lane, NE, Apt 28
Abingdon, VA 24210

Abingdon Green Apartments
VACANT

Section 8 Housing
David McCracken
P. O. Box 490
Glade Spring, VA 24340

VA Cares
Danny Swartz
36423 Plum Creek Rd.
Glade Spring, VA 24340

White Mill Apartments
Eula Ellison
15365 Whites Mill Apartments, #102
Abingdon, VA 24210

Project Discovery
Kati Statzer
1761 Crossroads
Lebanon, VA 24266

Kings Mountain Supportive Housing Community
Tommy Burris
1235 West State St., Unit 12
Bristol, VA 24201

Abingdon Village Apartments
Pam Dunn
506 Lowry Drive SW, Apt 12
Abingdon, VA 24210

Toms Brook Apartments
Alexandra Tristan
3232 S. Main St., Apt 8
Toms Brook, VA 22600

SECTOR II

Bristol City Council
Catherine Brillhart
Mayor
213 Autumn Drive
Bristol, VA 24201

Buchanan County Board of Supervisors
Trey Adkins
P.O. Box 350
Grundy, VA 24614

City of Manassas
Ronald King
Director of Family Services
9324 West Street
Manassas, VA 20110

City of Manassas Park
Randi Knights
Acting Director
One Park Center Court
Manassas Park, VA 20111

Clarke County
Coleen Hillerson
11 Battletown Drive
Berryville, VA 22611

Culpeper County
Cathy M. Zielinski
420 Southridge Parkway, Suite 106
Culpeper, VA 22701

Dickenson County Board of Supervisors
G. David Moore, Jr.
County Administrator
P. O. Box 1098
Clintwood, VA 24228

Fauquier County
Board of Supervisors
Jan Selbo
320 Hospital Drive
Alice Jane Childs Building
Warrenton, VA 20186

Frederick County Board of Supervisors
Linda Gibson
Assistant Director
800 Kennedy Drive
Winchester, VA 22601

Page County
Stephanie Lillard
Economic Dev/Tourism Coordinator
103 South Court Street, Suite F
Luray, VA 22835

Rappahannock County Board of Supervisors
Beverly Dunford
Director of Social Services
P.O. Box 87
Washington, VA 22747

Russell County Board of Supervisors
Vicki Porter
Administrative Manager
P O Box 1208
Lebanon, Virginia 24266

Shenandoah County Board of Supervisors
John Richard Neese
292 Jiggady Road
New Market, VA 22844

Warren County Board of Supervisors
Tony F. Carter
P. O. Box 1355
Front Royal, VA 22630

Washington County Board of Supervisors
Phillip McCall
24597 Walden Rd
Abingdon, VA   24210

Prince William County
Board of Supervisors
Elijah Johnson
One County Complex Court
Woodbridge, VA 22192

SECTOR III

Lord Fairfax Community College
James "Jim" Kraft
Middletown Campus
173 Skirmisher Lane
Middletown, VA 22645-1745

Prince William
Chamber of Commerce
Vacant

Washington County
Doris C. Shuman
116 Valley Street NW
Abingdon, VA 24210

Fauquier County
Chamber of Commerce
Vacant

Russell County Chamber of Commerce
Ashley Hartless
113 Second Avenue
Richlands, VA 24641

Shenandoah County
Healthy Families
John Ayers
214 Millertown Rd.
Edinburg, VA 22824

Southwest Virginia Legal Aid Society
Yvette Goode
P. O. Box 670
Castlewood, VA 24224

Emory and Henry College
Early Childhood
Education Specialist
Dr. Janet L. Justice Crickmer
21360 Crosswinds Drive
Abingdon, VA 24211-2400

Town of Grundy Industrial Development Authority
Chris Shortridge
P.O. Box 288
Grundy, VA 24614

Virginia Highlands
Community College
Winona Fleenor
P.O. Box 828
Abingdon, VA 24212

Greater PWC Human Services Consortium
ACTS Coalition for Human Services
Prince William
VACANT

The Christian Center
Alice D. Meade
28 Major St.
Lebanon, VA 24266

Vietnam Veterans
Steven M. Botello
8290 Wallace Lane
Manassas, VA 20109

Mauriertown Ruritans
Dennis Morris
1685 Brook Creek Rd.
Toms Brook, VA 22660

Foothills Housing Network
Tony Hooper
87 Dennison Street
Fredericksburg, VA 22406

Culpeper Chamber of Commerce
Lisa Peacock
19066 Brandy Fizz Court
Culpeper, VA 22701

EXECUTIVE COMMITTEE

Chairperson	Chris Shortridge
Vice Chairperson	David McCracken
Secretary	Alice Meade
Assistant Secretary	Vicki Porter
Treasurer	John Ayers
Member	Jan Selbo
Member	Tommy Burris
Member	Tony Carter
Member	Ronald King
Member	Catherine Brillhart
Member	Dennis Morris

Hicok, Fern & Company

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of People Incorporated of Virginia and Affiliates (a nonprofit organization) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities 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.

Hicok, Fern & Company
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of People Incorporate of Virginia and Affiliates as of June 30, 2016, 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 Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Schedule on page 37 has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016, on our consideration of People Incorporated of Virginia and Affiliates' 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 of Virginia and Affiliates' internal control over financial reporting and compliance.

Hicok Fern & Company

HICOK, FERN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

October 21, 2016

Hicok, Fern & Company

Certified Public Accountants

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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 of Virginia and Affiliates
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 of Virginia and Affiliates (a nonprofit organization), which comprise of the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows, for the year then ended and the related notes to the financial statements and have issued our report thereon dated October 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered People Incorporated of Virginia and Affiliates' 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 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 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.

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*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether People Incorporated of Virginia and Affiliates' 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hicok Fern & Company

HICOK, FERN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

October 21, 2016

Hicok, Fern & Company

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited People Incorporated of Virginia and Affiliates' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of People Incorporate of Virginia and Affiliates' major federal programs for the year ended June 30, 2016. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of People Incorporated of Virginia and Affiliates' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about People Incorporated of Virginia and Affiliates' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of People Incorporated of Virginia and Affiliates' compliance.

Opinion on Each Major Federal Program

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 of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of People Incorporated of Virginia and Affiliates is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered People Incorporated of Virginia and Affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of People Incorporated of Virginia and Affiates' 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Hicok, Fern & Company
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE

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.

Hicok Fern & Company

HICOK, FERN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

October 21, 2016

People Incorporated of Virginia and Affiliates
Abingdon, Virginia
Statement of Consolidated Financial Position
For June 30, 2016

		Total
Assets		
Current Assets:		
Cash and cash equivalents	$	1,520,002
Vacation trust account		179,880
Receivables:		
Grants		1,522,666
Clients		138,820
Rents, Interest, and Other (net of allowance of $11,399)		43,090
Related Party		2,079,750
Inventory		60,929
Prepaid expenses		236,745
Other current assets		9,414
Total Current Assets		5,791,296
Long-term Assets:		
Notes receivable (Net of allowance for bad debts of $54,141)		3,259,753
Notes receivable - related party		5,093,877
Property, plant, & equipment		25,673,683
Accumulated depreciation		(7,449,237)
Total Long-term Assets		26,578,076
Other Assets:		
Deferred Developer Fees		3,057,530
Investments		577,061
Total Other Assets		3,634,591
Total Assets	$	36,003,963

	Total
Liabilities & Net Assets	
Liabilities	
Current Liabilities:	
Accounts payable	$ 222,474
Accrued expenses	615,319
Deferred revenue	343,657
Retainage Payable	82,635
Refundable deposits	1,291,079
Lines of Credit	209,705
Lease obligations payable - current	43,945
Notes payable - current	496,949
Total Current Liabilities	3,305,763
Long-term Liabilities:	
Compensated absences	1,545,441
Lease obligations payable - net of current	19,122
Notes payable - net of current	3,234,121
Total Long-term Liabilities	4,798,684
Other Liabilities:	
Deferred Developer Fees	3,057,530
Total Other Liabilities	3,057,530
Total Liabilities	11,161,977
Net Assets	
Unrestricted	7,670,995
Temporarily restricted	17,170,991
Total Net Assets	24,841,986
Total Liabilities & Net Assets	$ 36,003,963

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

People Incorporated of Virginia and Affiliates
Abingdon, Virginia
Statement of Consolidated Activities
For the Year Ended June 30, 2016

EXHIBIT 2

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Grants	$ 1,134,019	$ 9,557,716	$ 10,691,735
Other	2,146,496	-	2,146,496
Interest	65,796	137,308	203,104
Contributions	12,737	-	12,737
In-Kind	225,785	-	225,785
Net assets released from restrictions:			
Satisfaction of program restrictions	9,989,736	(9,989,736)	-
Total Revenues	13,574,569	(294,712)	13,279,857
Expenses:			
Program Services:			
Community Services	1,373,228	-	1,373,228
Community Development	523,029	-	523,029
Community Economic Development	752,427	-	752,427
Children & Family Services	4,729,899	-	4,729,899
Housing	2,142,386	-	2,142,386
Workforce Development	1,842,780	-	1,842,780
Support Services:			-
General & Administrative	1,546,394	-	1,546,394
Fundraising	385,086	-	385,086
Total Expenses	13,295,229	-	13,295,229
Change in Net Assets	279,340	(294,712)	(15,372)
Net Assets At Beginning of Year	7,391,655	17,465,703	24,857,358
Net Assets At End of Year	$ 7,670,995	$ 17,170,991	$ 24,841,986

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

People Incorporated of Virginia and Affiliates
Abingdon, Virginia
Statement of Consolidated Cash Flows
For the Year Ended June 30, 2016

EXHIBIT 3

	Total
Operating Activities:	
Change in net assets	$ (15,372)
Adjustments to reconcile changes in net assets	
to net cash provided by operating activities:	
(Gain) loss on sale of fixed assets	916
Depreciation	920,162
Allowance for bad debt	(2,737)
Net change in:	
Receivables	553,738
Other assets	(48,552)
Inventory	162
Prepaid expense	(13,708)
Accounts payable	(203,182)
Accrued expenses & other payables	177,424
Other Liabilities	30,599
Net Cash Provided By Operating Activities	1,399,450
Investment Activities:	
Purchase of property, plant & equipment	(919,130)
Proceeds from disposition of property, plant & equipment	18,522
Investment in partnerships	(556)
Loans to businesses and consumers	(1,565,357)
Principal repayment on business and consumer loans	597,989
Net Cash Used In Investing Activities	(1,868,532)
Financing Activities:	
Proceeds from long-term debt	484,616
Principal payments made on long-term debt	(730,558)
Net Cash Used In Financing Activities	(245,942)
Decrease In Cash	(715,024)
Cash and cash equivalents at Beginning of Year	2,414,906
Cash and cash equivalents at End of Year	$ 1,699,882
Supplemental disclosure of cash flow information:	
Cash paid for interest	$ 129,873

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

People Incorporated of Virginia ("the Organization") 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, 2016, People Incorporated of Virginia received 83% of its total revenue from federal, state, and local government sources.

People Incorporated Financial Services was organized as a non-profit corporation in 2000. People Incorporated Financial Services 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 was organized as a non-profit corporation in 2004 to provide quality, affordable housing to low-income individuals.

Basis of Presentation

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

Principles of Consolidation

The consolidated financial statements include the accounts of People Incorporated Financial Services and People Incorporated Housing Group, both of which are affiliates under common control. All significant intercompany transactions and balances have been eliminated in these consolidated financial statements.

Classification of Net Assets

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

> Unrestricted –Net assets of the organization that are not subject to donor or grantor imposed stipulations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily Restricted – 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.

Use of Estimates

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

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The asset "Costs and estimated earnings in excess of billings on uncompleted contracts" represents costs incurred in excess of amounts billed. The liability "Billings in excess of costs and estimated earnings on uncompleted contracts" represent billings in excess of costs incurred. Substantially all contract retainage is expected to be collected within one year.

Developer fees for Low-Income Housing Tax Credit ("LIHTC") projects are recognized when the project is substantially complete. Developer fees for New Market Tax Credit ("NMTC") projects are recognized as received.

Donated Services and Materials

People Incorporated of Virginia reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts or grants of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, People Incorporated of Virginia reports expirations of donor restrictions starting in the year the asset is placed in service.

Cash and Cash Equivalents

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

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. Inventories consist of materials and supplies held for use in various agency programs.

Receivables

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

Client receivables consist of amounts used to provide indoor plumbing assistance to income-eligible individuals in the form of loans. The loans are secured by liens on the property for 120 months. The loans are interest free and repayments are based on household income. Repaid funds are to be used for future indoor plumbing projects. Management has elected not to record an allowance against these receivables since the value of the home exceeds the outstanding receivable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Other Current Assets

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related Party Receivables

The Organization entered into agreements to act as the project sponsor of certain LIHTC projects. As the project sponsor, the Organization received grant funds that were loaned to the project owner. Accounts and Notes Receivable from related parties under these agreements totaled $7,173,627 as of June 30, 2016.

Property and Equipment

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

Investments

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

Deferred Developer Fees

The Organization has entered into development agreements with sixteen LIHTC projects. The agreements provide for development fees for services in connection with the rehabilitation of the LIHTC projects. At June 30, 2016, the Organization had successfully completed sixteen LIHTC projects. The Organization recognizes a portion of the developer fees at the close of the construction period. The remainder of the developer fee is deferred and recognized as the LIHTC project pays the deferred fees over the life of the project.

Income Taxes

People Incorporated of Virginia is a tax exempt, non-profit organization under Section 501(c)(3) of the Revenue Code. Therefore, a provision for income taxes is not required.

Indirect Cost Rate

The Organization charges an indirect cost rate of 11.8% on grants and contracts with the Federal Government. This rate was established per an agreement with the Department of Health and Human Services.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events have been evaluated as of October 21, 2016, which is the date the financial statements were issued.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers. ASU 2013-03 clarified revenue recognition principles to depict the transfer of goods or services in amounts that reflect the consideration the Organization expects to receive in exchange for those goods or services. In August 2015, the FASB issued Accounting Standards Update 2015-14 that defers the effective date of ASU 2014-09 by one year. ASU 2014-09 is now effective for annual periods beginning after December 15, 2018. The Organization will implement this update for its year ended June 30, 2020 financial statements; the update is not expected to have a significant impact on the Organization's financial statements.

In February 2015, the FASB issued Accounting Standards Update 2015-02, Consolidation. ASU 2015-02 clarifies the requirements to consolidate certain legal entities. ASU 2015-02 is effective for fiscal years beginning after December 15, 2016; the update is not expected to have a significant impact on the Organization's financial statements.

In July 2015, the FASB issued Accounting Standards Update 2015-11, Inventory. ASU 2015-11 replaces the lower of cost or market test for subsequent measurements of inventory with a lower of cost or net realizable value test; the ASU applies only to inventories accounted for using the FIFO method. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016; the update is not expected to have a significant impact on the Organization's financial statements.

In January 2016, the FASB issued Accounting Standards Update 2016-01, Financial Instruments: Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 requires certain investments to be measured at fair value and changes the impairment assessment approach for those investments; the ASU is effective for fiscal years beginning after December 15, 2018 and is not expected to have a significant impact on the Organization's financial statements.

In February 2016, the FASB issued Accounting Standards Update 2016-02, Leases, which requires recognition of lease assets and lease liabilities. The ASU is effective for years beginning after December 15, 2019 and is not expected to have a significant impact on the Organization's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In March 2016, the FASB issued Accounting Standards Update 2016-07, Investments - Equity Method and Joint Ventures, which eliminates the requirement to retroactively record a change in an investment to equity method accounting. The ASU is effective for years beginning after December 15, 2016 and is not expected to have a significant impact on the Organization's financial statements.

In August 2016, the FASB issued Accounting Standards Update 2016-14, Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities, which improves reporting of net asset classification requirements and notes about liquidity, financial performance, and cash flows. ASU 2016-14 will be effective for annual periods beginning after December 15, 2017. The Organization will implement this update for its year ended June 30, 2018 financial statements.

In August 2016, the FASB issued Accounting Standards Update 2016-15, Statement of Cash Flows, which requires a change in the presentation of certain cash receipts and cash payments in the statement of cash flows. ASU 2016-15 will be effective for annual periods beginning after December 15, 2017. The Organization will implement this update for its year ended June 30, 2018 financial statements, and is not expected to have a significant impact on the Organization's financial statements.

NOTE 2 – CASH

Cash for the Organization is maintained in five separate banks. Some of the banks have secured the Organization’s deposits in excess of FDIC coverage. The amount in excess of FDIC coverage at June 30, 2016 is $1,353,669.

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

The vacation 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 – 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 $12,818 at June 30, 2016 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, 2016 and no loans are considered past due at June 30, 2016.

NOTE 3 – NOTES RECEIVABLE (CONTINUED)

Haysi Downtown Loan Fund

Notes receivable of $90,762 at June 30, 2016 have terms ranging from four to ten years and bear interest at rates ranging from 3.0% to 6.25%; the loans were made to small businesses located in Haysi, Virginia. No write-offs were taken against these loans during the year ended June 30, 2016 and $87 of these loans are considered past due at June 30, 2016.

Page/Shenandoah CDBG

Notes receivable of $20,515 at June 30, 2016 have terms ranging from three to six years and bear interest at rates ranging from 6.25% to 7.25%; the loans were made to small businesses located in Page and Shenandoah County. No write-offs were taken against these loans during the year ended June 30, 2016 and no loans are considered past due at June 30, 2016.

Tobacco Indemnification Commission (TICR)

Notes receivable of $437,866 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, 2016 and no loans are considered past due at June 30, 2016.

U.S. Treasury

Notes receivable of $898,862 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 $19,613 were taken against these loans during the year ended June 30, 2016 and $1,958 of these loans are considered past due at June 30, 2016.

Smyth/Tazewell CDBG

Notes receivable of $15,364 have terms ranging from five to six years and bear interest at 6.25%. No write-offs were taken against these loans during the year ended June 30, 2016 and no loans are considered past due at June 30, 2016.

Twin County Microenterprise CDBG

Notes receivable of $35,953 have terms ranging from three to six years and bear interest at 6.25%; the loans were made to small businesses throughout Carroll County, Grayson County, and the City of Galax. No write-offs were taken against these loans during the year ended June 30, 2016 and $300 of these loans are considered past due at June 30, 2016.

SBA Microloan #5

Notes receivable of $5,773 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%. Write-offs of $375 were taken against these loans during the year ended June 30, 2016 and none of these loans are considered past due at June 30, 2016.

NOTE 3 – NOTES RECEIVABLE (CONTINUED)

SBA Microloan #4182935008

Notes receivable of $324,894 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%. Write-offs of $1,821 were taken against these loans during the year ended June 30, 2016 and $1,424 of these loans are considered past due at June 30, 2016.

SBA Microloan # 6085855005

Notes receivable of $300,378 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 $ 3,855 were taken against these loans during the year ended June 30, 2016 and $2,032 of these loans are considered past due at June 30, 2016.

Virginia Enterprise Initiative

Notes receivable of $2,126 have terms ranging from five to ten years and bear interest at rates ranging from 4.18% to 6.18%. No write-offs were taken against these loans during the year ended June 30, 2016 and no loans are considered past due at June 30, 2016.

Wise/Norton CDBG

Notes receivable of $22,862 have terms ranging from four to six years and bear interest at rates ranging from 3.25% to 6.25%; the loans were made to small businesses in Wise County and the

City of Norton. No write-offs were taken against these loans during the year ended June 30, 2016 and no loans are considered past due at June 30, 2016.

Bristol Revolving Loan Fund

Notes receivable of $3,183 have terms ranging from thirty months to five years and bear interest at 6.25%; the loans were made to small businesses located in the City of Bristol, Virginia and Bristol, Tennessee. Write-offs of $3,031 were taken against these loans during the year ended June 30, 2016 and no loans are considered past due at June 30, 2016.

Opportunity Finance Network

Notes receivable of $2,384 have terms ranging from three 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, 2016 and no loans are considered past due at June 30, 2016.

Rural Microenterprise Assistance Program

Notes receivable of $52,792 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, 2016 and $12 of these loans are considered past due at June 30, 2016.

NOTE 3 – NOTES RECEIVABLE (CONTINUED)

Warren-Clark Community Development Block Grant

Notes receivable of $60,701 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, 2016 and $613 of these loans are considered past due at June 30, 2016.

United States Department of Agriculture

Notes receivable of $2,255 represents money due the program from loans made to homeowners in Southwest Virginia and the Northern Shenandoah Valley to repair or replace water well systems. Terms of the note are six years and bear interest at 1.0%. No write-offs were taken against these loans during the year ended June 30, 2016 and no loans are considered past due at June 30, 2016.

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 $114,114 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, 2016 and $1,290 of these loans are considered past due as of June 30, 2016.

Friends of Southwest Virginia

Notes receivable of $750,000 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 $50,000 represents money due the program from a loan made to the Community Action Financial Institute. The loan bears interest at 0% and is due on December 31, 2029. The loan may be subject to forgiveness on the maturity date if no default events occur during the term of the loan.

Mortgage Receivable

The Organization holds a mortgage receivable of $110,292 for a home built under a homebuyer program. The mortgage bears interest at 1% for a term of 30 years. Monthly principal and interest payments of $363.45 are due under the note with the remaining balance of unpaid principal due on September 1, 2017.

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NOTE 4 – ALLOWANCE FOR DOUBTFUL ACCOUNTS

An allowance for bad debts has been provided as follows:

	Allowance for Bad Debts June 30, 2016	
Notes Receivable	$	54,141
Receivables - Rents, Interest, and Other		11,399
TOTAL	$	65,540

The allowance is based on prior years' experience and management's analysis of specific loans and accounts.

The Organization is owed $2,079,750 from related party Low-Income Housing Tax Credit entities for management fees and operating expenses. Management has evaluated the collectability of these receivables and has determined that an allowance against these receivables is not necessary.

NOTE 5 – NOTES RECEIVABLE – RELATED PARTY

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

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

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

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

Buchanan County Housing, LLC
Note receivable of $741,794, bearing interest at 6% and due upon the sale or conveyance of the property. Interest income of $42,582 was recognized on the note during the year.

Clinch View Manor Apartments, LLC
Note receivable of $427,000, bearing no interest and due upon the sale or conveyance of the property.

NOTE 5 – NOTES RECEIVABLE – RELATED PARTY (CONTINUED)

Dante Crossings Apartments, LLC
Note receivable of $377,662, bearing interest at 4.21% and due upon the sale or conveyance of the property. Interest income of $15,411 was recognized on the note during the year.

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

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

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

Rock School Management, LLC
Note receivable of $168,881, bearing no interest and has a 30-year term.

Spruce Hill Apartments, LLC
Note receivable of $198,000, bearing no interest and due upon the sale or conveyance of the property.

Toms Brook School Apartments, LLC
Notes receivable of $889,323, bearing no interest and due upon the earlier of 30 years, conveyance of the property, or refinancing of the property.

Valley Vista, LLC
Note receivable of $139,079, bearing interest at 2% and due upon the earlier of 30 years, conveyance of the property, or refinancing of the property. Note receivable of $467,500, bearing no interest and due upon the earlier of October 30, 2039 or the sale of the property. Interest income of $2,740 was recognized on these notes during the year.

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

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

Property and equipment purchased is stated at cost or estimated cost. Donated property is recorded at market value prevailing at date of donation. Depreciation for fixed assets has been provided over the following estimated useful lives using the straight-line method. Depreciation for the period ending June 30, 2016 amounted to $920,162.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Buildings …………………………………. 20 – 40 years
Equipment, vehicles and
Furniture and fixtures……………………. 5 – 20 years

Summary of changes in fixed assets follows:

	Balance June 30, 2015	Additions	Disposals	Balance June 30, 2016
Land	$ 1,360,586	-	(5,900)	$ 1,354,686
Real Property	20,126,971	936,437	(3,000)	21,060,408
Equipment	669,732	47,460	(46,159)	671,033
Vehicles	2,389,032	127,967	(80,878)	2,436,121
Construction in Process	344,169	131,985	(324,719)	151,435
Totals	$ 24,890,490	$ 1,243,849	$ (460,656)	$ 25,673,683

Federal programs require that all assets disposed of during the year that were obtained with restricted money must be accounted for if the sale price exceeds $5,000.

The Organization acquired $127,967 in property & equipment through federal grants for the year ending June 30, 2016.

NOTE 7 – DEFERRED DEVELOPER FEES

The Organization entered into agreements with related party LIHTC entities to act as developer for certain LIHTC projects. The agreements allow for a portion of the developer fee to be paid upon substantial completion of the projects and a portion to be deferred over the life of the tax credits. During the year ended June 30, 2016, the Organization recognized $0 in developer fee revenue and deferred $145,308 in developer fees related to completed projects.

NOTE 8 – INVESTMENTS

The Organization holds ownership interests in sixteen LIHTC partnerships and twelve NMTC partnerships. Losses from the LIHTC entities were $135 for the year ended June 30, 2016 and capital contributions totaled $0. Income from the NMTC entities were $9 and net capital contributions was $682.

NOTE 8 – INVESTMENTS (CONTINUED)

Investments in other companies as of June 30, 2016 consisted of the following:

Abingdon Green LLC	$ 48,751
Abingdon Terrace LLC	(13)
Abingdon Village Apartments LLC	(4)
Buchanan County Housing LP	(161)
Clinch View Manor Apartments LLC	(21)
Dante Crossings Apartments Management, Inc.	149,954
Jonesville Manor LLC	(41)
Norton Green LLC	(37)
Pulaski Village LLC	(57)
Rock School Management, Inc.	143,069
Spruce Hill Apartments LLC	(16)
Sweetbriar Apartment Management, Inc.	50,942
Toms Brook School Apartments LLC	(38)
Valley Vista Apartments LLC	(69)
West Lance Apartments LLC	(13)
Mill Point Apartments, Inc.	177,918
Rural New Markets Fund, LLC	879
Appalachian Markets Capital Investment Fund, LLC	(47)
PIFS Sub-CDE IV, LLC	699
PIFS Sub-CDE V, LLC	549
PIFS Sub-CDE VI, LLC	700
PIFS Sub-CDE VII, LLC	447
PIFS Sub-CDE VIII, LLC	299
PIFS Sub-CDE IX, LLC	548
PIFS Sub-CDE X	518
PIFS Sub-CDE XI	908
PIFS Sub-CDE XII	667
PIFS Sub-CDE XIII	730
	$ 577,061

No impairment losses were recorded on these investments during the year ended June 30, 2016.

NOTE 9 – CONTINGENT LIABILITIES

Federal programs in which the Organization participates were audited in accordance with the provisions of U.S. Office of Management and Budget Uniform Guidance. All major programs and certain other programs were tested for compliance with applicable grant requirements. While no material instances of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

NOTE 9 – CONTINGENT LIABILITIES (CONTINUED)

The Organization is a guarantor for debt incurred by the NMTC investment entities.

There are possible litigations with past clients. It is expected that if any payments are required that the amount will be covered entirely by insurance companies.

NOTE 10 – COMPENSATED ABSENCES AND SEVERANCE PAY

Employees of the Organization are entitled to paid vacation, depending on length of service and other factors. The liability for compensated absences at June 30, 2016 was $794,971.

The Organization has a severance agreement with a key employee. The agreement grants the employee severance pay based on the number of months of service to the Organization and is paid at the compensation rate in effect at the time of termination. The liability for severance pay at June 30, 2016 was $750,470.

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NOTE 11 – NOTES PAYABLE OBLIGATIONS

Notes payable obligations consist of the following:

	Principal Balance June 30, 2016
Purchase of an office building and land in Lebanon, VA. There are two notes, each with a 10-year amortization. The notes were refinanced in 2010 at 6.0% with monthly payments of $1,980.	$ 88,169
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%. Payments of $4,746 began in July 2010.	167,285
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.	333,326
Financing of an office building in Bristol, VA. The note matures August 2020 with interest. The interest rate is 1% with payments of $4,489 per month.	219,734
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.	398,668
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.	53,125
Purchase of an office building in Woodstock, VA. Note is in the amount of $731,719 to be used for purchase and renovation. Term of note is 20 years with a 5 year balloon. Interest only payments accumulating at 6.00% for the first 12 months; monthly payments thereafter will be $3,096.	700,833
Purchase of an office building and land in Clintwood, VA. The note has a 10-year amortization with interest payable at 3.95%. Principal and interest payments of $717 began in March 2015.	63,092
Purchase of Benham's Head Start Center building in Bristol, VA. The note is being amortized over a 15-year period at 6.00% interest	77,185

NOTE 11 - NOTES PAYABLE OBLIGATIONS (CONTINUED)

Microloan Program loan from the U.S. Small Business Administration. The note has a 10-year amortization with varying interest beginning at 0%. Principal and interest payments began July 2011.	$	392,175
Purchase and renovation of office building in Abingdon, VA. The note has a 30-year amortization with interest payable at 4.00%.		757,418
Program loans from community banks in the amount of $25,000 each from Bank of Tennessee, Green Bank, Citizens Bank, First Tennessee Bank and Eastman Credit Union for the revitalization of downtown Bristol. The loans are for a period of 10 years at 0% interest with principal repayable at the end of the 10 years. The notes will be renewed if program objectives are met.		55,000
Program loan from Virginia Community Capital. The loan is for a period of 10 years with a variable interest rate. Payments began in November 2007.		2,229
Program loan from Federation of Appalachian Housing Enterprises. The loan is due in three equal installments on July 1, 2014, July 1, 2015, and July 1, 2016. The note bears an interest rate of 3% and is secured by a deed of trust.		53,967
Purchase of (2) 2013 Nissan Rogues. Notes are for a period of 5 years with a 0% interest rate. Principal payments began in February 2014.		23,980
Program loan from Federation of Appalachian Housing Enterprises. The loan is for a period of three years with payments of $573 per month. The note bears an interest rate of 5.25% and is secured by real property.		76,406
Program loan from Deutsche Bank. The loan is for a period of five years with interest-only payments until maturity. The note bear an interest rate of 2%.		250,000
Purchase of Ford F150. Note is for a period of 5 years with a 0% interest rate. Principal payments began September 2014		18,478
Total		3,731,070
Less: Current maturties		(496,949)
Long Term Notes Payable	$	3,234,121

NOTE 11 – NOTES PAYABLE OBLIGATIONS (CONTINUED)

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

Year Ending June 30	Principal	
2017	$	496,949
2018		372,936
2019		626,857
2020		315,857
2021		178,010
2022 and beyond		1,740,461
Total	$	3,731,070

The Organization has a line of credit with First Bank & Trust with maximum borrowings of $250,000, of which $0 was outstanding at June 30, 2016. Advances on the line of credit carry a rate of 5.25%. The credit line is secured by a deed of trust.

The Organization has a line of credit with Federation of Appalachian Housing Enterprises with maximum borrowings of $325,000, of which $209,705 was outstanding at June 30, 2016. Advances on the line of credit carry a rate of 5.25%. The credit line is secured by undeveloped land.

Interest expense incurred on notes payable and lines of credit for 2016 was $120,884.

NOTE 12 – CAPITAL LEASE OBLIGATIONS

The Organization leases certain computer equipment under leases classified as capital leases. The leased equipment is amortized on a straight-line basis over three years. The following is a schedule showing the future minimum lease payments under capital leases by years.

Year Ending June 30	Principal	
2017	$	43,945
2018		19,122
Total	$	63,067

NOTE 13 – RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose:

	Amount
Business loans and related expeditures	$ 2,296,826
Time or purpose restricted for period after June 30, 2016	14,874,165
TOTAL	$ 17,170,991

NOTE 14 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of financial instruments under FASB Codification 825-10, *Disclosures About Fair Value of Financial Instruments*, as amended by FASB Codification 820-10, are determined based on relevant market information. These estimates involve uncertainty and cannot be determined with precision. The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

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

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

FASB Codification 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB Codification 820-10 also establishes a fair value hierarchy which requires the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly through corroboration with observable market data. Level 2 inputs include (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in markets that are not active, (c) inputs other than quoted prices that are

NOTE 14 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates), and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Unobservable inputs used to measure fair value to the extent that observable inputs are not available and that are supported by little or no market activity for the asset or liability at the measurement date.

NOTE 15 – IN-KIND

The Head Start program is required to contribute 20% of the cost of the program through non-federal cash or in-kind contributions. Other programs also require matching funds similar to Head Start. The following is a breakdown of in-kind received by program and month:

	Head Start	Homeless Programs	Project Discovery	Domestic Violence
July 2015	$ 9,387	$ 387	$ -	$ 3,631
August 2015	9,718	3,973	-	1,549
September 2015	23,605	3,310	1,436	1,822
October 2015	18,071	2,659	1,336	2,908
November 2015	15,513	866	1,227	1,057
December 2015	19,964	1,238	1,227	4,951
January 2016	10,604	345	1,227	467
February 2016	10,319	68	2,336	633
March 2016	14,021	502	1,227	1,737
April 2016	11,538	239	1,227	958
May 2016	10,908	381	1,227	1,521
June 2016	10,668	2,760	-	11,037
	$ 164,316	$ 16,728	$ 12,470	$ 32,271

NOTE 16 – LEASE OBLIGATIONS

On December 1, 2015, the Organization entered into a seven month lease for the Head Start program with the Hayters Gap Community Center of Washington County, Virginia. The lease relates to real property located at the Hayters Gap Elementary School in Washington County, Virginia. The lease can be terminated by either party with sixty days written notice.

NOTE 16 – LEASE OBLIGATIONS (CONTINUED)

On December 1, 2015, the Organization entered into a seven month lease for the Head Start program with Russell County, Virginia. The lease relates to real property located at Route 80, Russell County, Virginia in the Swords Creek Community Center. The lease can be terminated by either party with ninety days written notice.

On September 1, 2015, the Organization entered into a seven month lease for the Head Start program with Russell County, Virginia. The lease relates to real property located in the Givens Elementary School in Russell County, Virginia. The lease is subject to annual renewal.

On December 1, 2015, the Organization entered into a seven month lease for the Head Start program with Cumberland Plateau Housing Authority. The lease relates to real property located in the Fox Meadows community. The lease can be terminated by either party with ninety days written notice.

On August 11, 2015, the Organization entered into an eleven month lease for the Head Start program with Damascus Presbyterian Church. The lease relates to real property located in Damascus, Virginia. The lease can be terminated by either party with sixty days written notice.

On October 15, 2015, the Organization entered into a five year lease for office space in Manassas, Virginia.

On July 1, 2015, the Organization entered into a one year lease for office space in Warrenton, Virginia.

On September 1, 2015, the Organization entered into a two year lease for storage and maintenance space in Abingdon, Virginia.

The future minimum lease payments due under operating leases existing as of June 30, 2016 are:

Year ending June 30:		
2017	$	44,390
2018		45,722
2019		47,094
2020		48,507
2021		16,327
	$	202,040

NOTE 17 – USDA REIMBURSEMENTS

The Organization's Head Start and day care programs receive reimbursements from the United States Department of Agriculture for meals served to children. Reimbursements received for Head Start and the day care centers for the year ended June 30, 2016 are:

Head Start/Early Head Start	$ 192,751
Day Care Centers	$ 17,203

NOTE 18 – REFUNDABLE DEPOSITS

The Organization holds a deposit from the Southwest Virginia Cultural Heritage Commission in the amount of $1,283,200. 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, 2016 was $3,191.

NOTE 19 – CONTRIBUTED ASSET

The Organization 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, the Organization assumed complete ownership of the building and its improvements. The Organization 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 depreciated value of the building at June 30, 2016 was $10,768,021.

NOTE 20 – RELATED PARTIES

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

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

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

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

NOTE 20 – RELATED PARTIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

The Organization holds a .01% ownership interest in Rural New Market Funds, LLC as a general partner through People Incorporated Financial Services.

NOTE 20 – RELATED PARTIES (CONTINUED)

The Organization holds a .01% ownership interest in Appalachian Markets Capital Investment Fund, LLC as a general partner through People Incorporated Financial Services.

The Organization holds a .01% ownership interest in PIFS Sub-CDE IV, LLC as a general partner through People Incorporated Financial Services.

The Organization holds a .01% ownership interest in PIFS Sub-CDE V, LLC as a general partner through People Incorporated Financial Services.

The Organization holds a .01% ownership interest in PIFS Sub-CDE VI, LLC as a general partner through People Incorporated Financial Services.

The Organization holds a .01% ownership interest in PIFS Sub-CDE VII, LLC as a general partner through People Incorporated Financial Services.

The Organization holds a .01% ownership interest in PIFS Sub-CDE VIII, LLC as a general partner through People Incorporated Financial Services.

The Organization holds a .01% ownership interest in PIFS Sub-CDE IX, LLC as a general partner through People Incorporated Financial Services.

The Organization holds a .01% ownership interest in PIFS Sub-CDE X, LLC as a general partner through People Incorporated Financial Services.

The Organization holds a .01% ownership interest in PIFS Sub-CDE XI, LLC as a general partner through People Incorporated Financial Services.

The Organization holds a .01% ownership interest in PIFS Sub-CDE XII, LLC as a general partner through People Incorporated Financial Services.

The Organization holds a .01% ownership interest in PIFS Sub-CDE XIII, LLC as a general partner through People Incorporated Financial Services.

NOTE 21 – EMPLOYEE BENEFIT PLANS

Effective July 1, 2015, the Organization adopted a 403(b) plan which covers substantially all of the Organization's employees. The plan allows participants to make tax deferred investment contributions and requires the Organization to make a non-matching contribution equal to 1% of each eligible employee's compensation. Total contributions made by the Organization for the year ended June 30, 2016 were $68,266.

NOTE 22 – SUBSEQUENT EVENTS

In September 2016, the Organization obtained a loan to purchase real property with Highlands Union Bank for $93,000 bearing interest at 4.50%. The note requires monthly principal and interest payments of $963.84 until October 22, 2026.

SUPPLEMENTARY INFORMATION

People Incorporated of Virginia and Affiliates
Abingdon, Virginia
Schedule of Functional Expenses
For the Year Ended June 30, 2016

SCHEDULE 1

Expense Classification

Fund	Salaries & Wages	Fringe Benefits	Travel	Equipment Expense	Material & Supplies	Contractual	Others	Depreciation	In-Kind	Totals
Community Services	$ 682,800	$ 278,313	$ 49,641	$ 14,025	$ 62,983	$ 7,306	$ 233,419	$ -	$ 44,741	$ 1,373,228
Community Development	261,438	59,920	14,269	1,208	2,947	121,815	61,432	-	-	$ 523,029
Community Economic Development	408,139	159,196	12,771	13,812	13,470	6,417	138,622	-	-	$ 752,427
Children & Family Services	2,079,006	966,454	73,523	210,899	544,450	26,786	664,465	-	164,316	$ 4,729,899
Housing	591,616	272,738	45,041	20,968	194,233	219,077	781,985	-	16,728	$ 2,142,386
Workforce Development	459,276	171,445	131,504	7,639	23,113	326,774	723,029	-	-	$ 1,842,780
General & Administration	739,049	306,599	136,009	23,212	51,121	717,782	(1,347,540)	920,162	-	$ 1,546,394
Fundraising	236,981	77,259	16,797	3,503	8,880	1,030	40,636	-	-	$ 385,086
Total Expenses	$ 5,458,305	$ 2,291,924	$ 479,555	$ 295,266	$ 901,197	$ 1,426,987	$ 1,296,048	$ 920,162	$ 225,785	$ 13,295,229

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Catalog Number	Expenditures
Department of Health and Human Services:		
Direct Payments:		
Head Start	93.600 *	$ 4,234,131
Healthy Tomorrows	93.110	20,254
Pass Through Payments:		
Virginia Department of Social Services:		
CSBG	93.569	1,129,019
CSBG TANF	93.558	223,400
LIHEAP	93.568	314,215
Victims of Crime	16.576	53,825
Domestic Violence	93.592	192,592
CHIP of Virginia:		
TANF	93.558	219,093
Department of Health:		
Maternal, Infant & Early Childhood Home	93.505	208,184
Department Total		6,594,713
Department of Energy:		
Pass Through Payments:		
VA. Department of Housing and Community Development:		
Weatherization	81.042	59,239
Department Total		59,239
Appalachian Regional Commission:		
Pass Through Payments:		
VA. Department of Housing and Community Development:		
Small Business Development	23.002	13,147
Department Total		13,147
Department of Housing and Urban Development:		
Direct Payments:		
Section 8	14.871	305,763
HUD Counseling	14.169	23,260
Permanent Supportive Housing	14.235	23,683
Pass Through Payments:		
VA. Department of Housing and Community Development:		
Homeless Solutions	14.231	237,436
Economic Development	14.218	64,500
HOME Partnership	14.239	119,115

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Catalog Number	Expenditures
City of Bristol Virginia:		
Homeless Solutions	14.218	3,000
Court Appointed Special Advocate	14.218	5,000
Department Total		781,757
Department of Labor:		
Pass Through Payments		
WIA/WIOA Cluster		
New River/Mt Rogers Workforce Investment Board		
WIOA Adult Program	17.258 *	432,187
WIOA Youth Program	17.259 *	459,635
Rapid Response	17.278 *	52,415
Southwest VA Workforce Investment Board		
WIA Youth Program	17.259 *	291,017
Wia Cluster Total		1,235,254
New River/Mt Rogers Workforce Investment Board		
POWER	17.277	12,835
Dislocated Worker/One Stop Operator	17.260	567,493
Department Total		1,815,582
Department of Agriculture		
Direct Payments:		
Child and Adult Care Food Program	10.558	209,954
Department Total		209,954
U.S. Small Business Administration:		
Direct Payments:		
Technical Assistance	59.046	264,927
Department Total		264,927
Department of Justice:		
Pass Through Payments		
Domestic Violence Program	16.588	14,792
Court Appointed Advocate	16.756	30,440
Sexual Assault Program	16.575	27,136
Sexual Assault Services Formula Program	16.017	5,561
Department Total		77,929

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Catalog Number	Expenditures
Department of Treasury:		
Direct Payments:		
Community Development Financial Institutions Program	21.020	295,690
Volunteer Income Tax Assistance	21.009	12,413
Department Total		308,103
Corporation for National and Community Services:		
Direct Payments:		
Retired Senior Volunteer Program		36,698
		36,698
Department of Veterans Affairs:		
Direct Payments:		
Supportive Services for Veterans Families	64.033	32,449
Department Total		32,449
Grand Total		$ 10,194,498

* Denotes Major Program

Notes to the Schedule of Expenditures of Federal Awards

Note A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of People Incorporated of Virginia and Affiliates under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of People Incorporated of Virginia and Affiliates, it is not intended to and does not present the financial position, changes in net assets, or cash flows of People Incorporated of Virginia and Affiliates.

Note B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - INDIRECT COST RATE

People Incorporated of Virginia and Affiliates has elected not to use the 10% de minimus indirect cost rate allowed under Uniform Guidance.

Schedule of Findings, Responses and Questioned Costs
June 30, 2016

I. SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS

Type of Auditor's report issued:	Unmodified
Prepared in accordance with GAAP	Yes
Internal control over financial reporting:	
Material weaknesses identified:	No
Significiant deficiencies identified:	No
Noncompliance material to financial statements noted:	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknessess identified:	No
Significant deficiencies identified:	No
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 the Uniform Guidance:	None
Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000
Auditee qualified as low-risk auditee	No

Identification of Federal Programs:

PROGRAM	CATALOG NUMBER	FINDINGS	QUESTIONED COSTS
Head Start	93.600	None	None
WIOA Adult Program	17.258	None	None
WIOA Youth Program	17.259	None	None
Rapid Response	17.278	None	None
WIA Youth Program	17.259	None	None

II. FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARD FINDINGS

None

IV. STATUS OF PRIOR AUDIT FINDINGS

Finding 2015-1 was resolved for fiscal year 2016

People Incorporated of Virginia and Affiliates
Abingdon, Virginia
Head Start Grant
Revenue and Expenses Detail
For the Year Ended June 30, 2016

SCHEDULE 4

		7/01/2015 through 6/30/2016
Revenue		
Grant	$	4,414,733
Grantee's in-kind		164,316
Total Revenue		4,579,049
Expenses		
Federal Expenses:		
HHS share:		
Head Start training tech-assistance		49,941
Total		49,941
Head Start		
Personnel salary		1,300,665
Personnel fringe benefits		589,303
Travel		34,081
Supplies		192,065
Other		908,380
Total		3,024,494
Early Head Start		
Personnel salary and fringes		756,413
Supplies and other		326,615
Total		1,083,028
Food Services		
Personnel salary		122,618
Personnel fringe benefits		85,542
Other		49,110
Total		257,270
Total In-Kind Expenses		164,316
Total Expenses		4,579,049
Excess (deficiency) of revenue over expenses	$	-