

**THE PEOPLE CONCERN**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

**THE PEOPLE CONCERN**  
CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

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**AUDIT  
AND  
ASSURANCE**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The People Concern

### **Report on the Consolidated Financial Statements**

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

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The People Concern 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.

To the Board of Directors  
The People Concern

### **Report on Summarized Comparative Information**

We have previously audited The People Concern's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matters - Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the consolidated financial statements. The accompanying Schedule of Expenditures of Awards from the Los Angeles Housing and Community Investment Department is presented at the request of the funder. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with 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 consolidated financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2022 on our consideration of The People Concern's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The People Concern's internal control over financial reporting and compliance.

*Green Hasson & Janks LLP*

April 11, 2022  
Los Angeles, California

## THE PEOPLE CONCERN

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2021

With Summarized Totals at June 30, 2020

	2021	2020
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,157,989	\$ 2,440,380
Restricted Cash - Held for Clients	1,304,981	1,799,109
Investments	4,198,290	3,771,806
Grants, Contracts and Other Receivables	15,474,643	11,359,441
Pledges Receivable	1,531,814	1,690,538
Prepaid Expenses and Other Assets	1,624,678	1,557,969
Deferred Rent	3,386,364	3,477,273
Property and Equipment (Net)	50,546,294	33,384,250
<b>TOTAL ASSETS</b>	<b>\$ 81,225,053</b>	<b>\$ 59,480,766</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts Payable	\$ 3,107,040	\$ 3,192,797
Accrued Liabilities	5,477,354	3,138,133
Funds Held on Behalf of Clients	1,304,981	1,799,109
Contract Advances	5,451,303	3,516,949
Contract Reserves	1,817,654	1,074,840
Notes Payable	28,891,944	15,631,414
<b>TOTAL LIABILITIES</b>	46,050,276	28,353,242
<b>NET ASSETS:</b>		
<b>Without Donor Restrictions:</b>		
Undesignated	\$ 8,640,466	\$ 7,172,249
Board Designated	1,677,921	809,083
<b>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	10,318,387	7,981,332
<b>With Donor Restrictions</b>	24,856,390	23,146,192
<b>TOTAL NET ASSETS</b>	<b>35,174,777</b>	<b>31,127,524</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 81,225,053</b>	<b>\$ 59,480,766</b>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

## THE PEOPLE CONCERN

### CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

With Summarized Totals for the Year Ended June 30, 2020

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUE AND SUPPORT:</b>				
Government Grants and Contracts	\$ 59,101,689	\$ 1,063,483	\$ 60,165,172	\$ 57,056,120
Contributions	3,612,660	5,998,630	9,611,290	8,158,886
Special Events (Net of Direct Donor Benefit Expenses of \$37,181 in 2021 and \$74,879 in 2020)	303,187	76,062	379,249	668,485
Contributions In-Kind	269,740	634,567	904,307	803,260
Investment Return (Net)	444,293	537,738	982,031	(252,509)
Rental and Other Income	1,435,289	-	1,435,289	1,331,201
Forgiveness of Notes Payable	1,145,040	-	1,145,040	1,053,896
Loss on Disposal of Property and Equipment	(87,073)	-	(87,073)	(508,151)
Net Assets Released from Donor Restrictions	6,600,282	(6,600,282)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	72,825,107	1,710,198	74,535,305	68,311,188
<b>EXPENSES:</b>				
Program Services	64,325,443	-	64,325,443	53,158,706
Management and General	4,480,417	-	4,480,417	2,748,232
Fundraising	1,682,192	-	1,682,192	1,563,847
<b>TOTAL EXPENSES</b>	70,488,052	-	70,488,052	57,470,785
<b>CHANGE IN NET ASSETS</b>	2,337,055	1,710,198	4,047,253	10,840,403
Net Assets - Beginning of Year	7,981,332	23,146,192	31,127,524	20,287,121
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 10,318,387</u>	<u>\$ 24,856,390</u>	<u>\$ 35,174,777</u>	<u>\$ 31,127,524</u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

**THE PEOPLE CONCERN**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2021  
With Summarized Totals for the Year Ended June 30, 2020

	2021							Management and General	Fundraising	Total	2020 Total
	Housing	Mental Health	Domestic Violence	Outreach and Engagement	Wellness and Life Skills	Other	Total				
Salaries	\$ 17,746,921	\$ 4,954,981	\$ 995,838	\$ 4,725,385	\$ 948,032	\$ 1,452,233	\$ 30,823,390	\$ 1,469,717	\$ 934,099	\$ 33,227,206	\$ 28,196,287
Payroll Taxes and Employee Benefits	3,923,193	1,044,691	234,432	1,117,456	228,016	282,524	6,830,312	54,536	168,989	7,053,837	6,021,536
<b>TOTAL PERSONNEL COST</b>	21,670,114	5,999,672	1,230,270	5,842,841	1,176,048	1,734,757	37,653,702	1,524,253	1,103,088	40,281,043	34,217,823
Direct Program Services	5,436,384	288,976	59,048	806,702	52,506	742,306	7,385,922	-	-	7,385,922	4,871,722
Legal and Professional Services	2,563,556	885,322	106,726	485,672	76,093	505,308	4,622,677	2,374,717	316,925	7,314,319	4,401,704
Occupancy	4,096,996	1,062,887	165,641	1,032,804	104,002	359,886	6,822,216	216,167	58,520	7,096,903	6,131,219
Subcontractor Expenses	2,639,033	-	-	2,197,370	30,000	-	4,866,403	-	-	4,866,403	4,644,158
Office Expenses	961,947	295,017	78,436	197,933	32,772	85,931	1,652,036	174,008	148,992	1,975,036	1,960,402
Depreciation	593,614	182,483	36,675	174,028	34,914	53,483	1,075,197	54,127	34,402	1,163,726	716,796
Other Expenses	158,714	28,495	10,597	30,675	6,953	11,856	247,290	137,145	20,265	404,700	526,961
<b>TOTAL 2021 FUNCTIONAL EXPENSES</b>	<b>\$ 38,120,358</b>	<b>\$ 8,742,852</b>	<b>\$ 1,687,393</b>	<b>\$ 10,768,025</b>	<b>\$ 1,513,288</b>	<b>\$ 3,493,527</b>	<b>\$ 64,325,443</b>	<b>\$ 4,480,417</b>	<b>\$ 1,682,192</b>	<b>\$ 70,488,052</b>	
							91%	6%	3%	100%	
<b>TOTAL 2020 FUNCTIONAL EXPENSES</b>	<b>\$ 28,506,925</b>	<b>\$ 7,788,558</b>	<b>\$ 2,032,442</b>	<b>\$ 10,688,274</b>	<b>\$ 1,714,157</b>	<b>\$ 2,428,350</b>	<b>\$ 53,158,706</b>	<b>\$ 2,748,232</b>	<b>\$ 1,563,847</b>		<b>\$ 57,470,785</b>
							92%	5%	3%		100%

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

## THE PEOPLE CONCERN

### CONSOLIDATED STATEMENT OF CASH FLOWS Year Ended June 30, 2021 With Summarized Totals for the Year Ended June 30, 2020

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 4,047,253	\$ 10,840,403
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,163,726	716,796
Realized and Unrealized (Gain) Loss on Investments	(910,810)	335,349
Forgiveness of Notes Payable	(1,145,040)	(1,053,896)
Loss on Disposal of Property and Equipment	87,073	508,151
Amortization of Deferred Rent	90,909	90,909
Donated Stock	(141,908)	(61,255)
Proceeds from Sale of Donated Stock	153,411	56,254
Realized Gain on Sale of Donated Stock	(427)	(317)
(Increase) Decrease in:		
Grants, Contracts and Other Receivables	(4,115,202)	(1,689,655)
Pledges Receivable	158,724	(551,474)
Prepaid Expenses and Other Assets	(66,709)	(351,582)
Increase (Decrease) in:		
Accounts Payable	(85,757)	270,967
Accrued Liabilities	2,339,221	874,477
Funds Held on Behalf of Clients	(494,128)	1,317,379
Contract Advances	1,934,354	29,763
Contract Reserves	742,814	(101,137)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,757,504</b>	<b>11,231,132</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	(3,892,299)	(13,051,258)
Investment in Membership Interest	(50,000)	-
Interest and Dividends Reinvested (Net)	(40,233)	(48,198)
Purchase of Investments	(926,002)	(1,368,692)
Proceeds on Sale of Investments	1,488,942	1,457,406
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(3,419,592)</b>	<b>(13,010,742)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net Repayments on Line of Credit	-	(2,000,000)
Borrowings on Notes Payable	-	6,968,150
Payments on Notes Payable	(114,431)	(109,344)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(114,431)</b>	<b>4,858,806</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>223,481</b>	<b>3,079,196</b>
Cash and Cash Equivalents - Beginning of Year	4,239,489	1,160,293
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 4,462,970</b>	<b>\$ 4,239,489</b>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements



# THE PEOPLE CONCERN

## CONSOLIDATED STATEMENT OF CASH FLOWS Year Ended June 30, 2021 With Summarized Totals for the Year Ended June 30, 2020

	<u>2021</u>	<u>2020</u>
<b>CASH AND CASH EQUIVALENTS INCLUDES:</b>		
Cash and Cash Equivalents	\$ 3,157,989	\$ 2,440,380
Restricted Cash - Held for Clients	<u>1,304,981</u>	<u>1,799,109</u>
<b><i>TOTAL CASH AND CASH EQUIVALENTS</i></b>	<b><u>\$ 4,462,970</u></b>	<b><u>\$ 4,239,489</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash Paid During the Year for Interest	<u>\$ 224,134</u>	<u>\$ 368,030</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Acquisition of Property Financed through Notes Payable	<u>\$ 14,520,000</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

# THE PEOPLE CONCERN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

### NOTE 1 - NATURE OF ORGANIZATION

One of Los Angeles County's largest social services agencies, The People Concern was formed in 2016 in a merger of two trusted social service organizations based in Los Angeles County, Ocean Park Community Center (OPCC) and LAMP, Inc. dba Lamp Community (Lamp). Informed by more than fifty years of work in the community, The People Concern is a leading provider of, and advocate for, evidence-based solutions to the multi-faceted challenges inherent in homelessness and domestic violence.

The People Concern provides a fully integrated system of care - including outreach, interim housing, mental and medical health care, substance abuse services, domestic violence services, lifeskills and wellness programs, and permanent supportive housing - tailored to the unique needs of homeless individuals, survivors of domestic violence, challenged youth, and others who have nowhere else to turn.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of The People Concern and People Co, LLC (collectively, The People Concern). The People Concern is the sole member of People Co, LLC.

#### (b) BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

#### (c) NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions. The board of directors has designated, from net assets without donor restrictions, net assets of \$1,677,921 for an operating reserve.
- **Net Assets With Donor Restrictions.** Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

# THE PEOPLE CONCERN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The People Concern considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents. The carrying value of cash and cash equivalents at June 30, 2021 approximates its fair value.

The People Concern maintains separate cash accounts for certain of its participants who receive pension and social security payments, as well as cash from other sources. Participant funds that have been set aside in restricted trust bank accounts at June 30, 2021 amounted to \$1,304,981.

#### (e) INVESTMENTS

Investments in marketable securities with readily redeemable fair values and all investments in debt securities are recorded at fair value. Securities are generally held in custodial investment accounts administered by financial institutions. Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in investment return in the consolidated statement of activities and represent the change in the difference between the cost and fair value of investments held at the end of the fiscal year.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Because of the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

Included in investments is an 8.333% membership interest in 82<sup>nd</sup> Street Development, LLC, an entity whose purpose is to acquire, own, develop, and operate a permanent supportive housing project. The carrying value of the investment is estimated by management to be a reasonable approximation of fair value based on the current purchase price of membership interests.

## THE PEOPLE CONCERN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### **(e) INVESTMENTS** (continued)

In addition, The People Concern is the managing general partner of various permanent supportive housing projects. The general partners in a limited partnership are presumed to control that limited partnership regardless of the general partners' ownership interest in the limited partnership. If a limited partnership has multiple general partners, the determination of which, if any, general partner within the group controls, and therefore, shall consolidate the limited partnership is based on an analysis of the relevant facts and circumstances. In situations involving multiple general partners, entities under common control are considered to be a single general partner for purposes of applying the guidance. If the limited partners have substantive kick-out rights or substantive participating rights, the presumption of control by the general partners is overcome and each of the general partners shall account for its investment in the limited partnership using the equity method of accounting. In each of the following projects, the presumption of control by The People Concern is overcome through the limited partners having substantive participating rights and consequently equity accounting is appropriate. Currently the permanent supportive housing projects are not generating any earnings.

##### **(f) GRANTS AND CONTRACTS RECEIVABLE, REFUNDABLE CONTRACT ADVANCES, AND RELATED REVENUE RECOGNITION**

Grants, contracts and other receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2021, the majority of receivables are due from governmental agencies and no allowance for uncollectible receivables was considered necessary except as described below.

A portion of The People Concern's revenue is derived from fee-for-service and cost reimbursement grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Such grants are generally considered nonreciprocal transactions restricted by the awarding agencies for certain purposes. Amounts received are recognized as revenue when The People Concern has satisfied the specific performance requirements or incurred expenditures in compliance with specific contract or grant provisions. The People Concern has elected to adopt a policy whereby donor-restricted grants and contributions that were initially conditional and whose conditions and restrictions are met in the same reporting period are recognized as revenue without donor restrictions. Amounts received prior to incurring qualifying expenditures or fulfilling the specific performance obligations are reported as refundable contract advances in the consolidated statement of financial position.

## THE PEOPLE CONCERN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(f) GRANTS AND CONTRACTS RECEIVABLE, REFUNDABLE CONTRACT ADVANCES, AND RELATED REVENUE RECOGNITION** (continued)

The People Concern performs services under contracts that are administered by the Los Angeles County Department of Mental Health (LACDMH) involving local, state and federal government funds. Contract service payments are generally provided monthly, but are subject to approval by the various funding agencies. Final settlements with the various funding agencies can take up to ten years, with initial findings in many cases not available for three or four years after funding. As a result, The People Concern establishes reserves for claims made, for disputed claims and for unexamined years.

The People Concern also performs services under a significant number of contracts that are administered by the Los Angeles Homeless Services Authority (LAHSA). Similarly, amounts billed to LAHSA are subject to review and approval by the grantor. As a result, The People Concern establishes reserves for potential disallowed amounts.

**(g) CONCENTRATIONS**

The People Concern places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. The People Concern has not incurred losses related to these investments and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The grants, contracts and other receivables balance outstanding at June 30, 2021 consists primarily of government contract receivables due from county, state, and federal granting agencies, and as a result, concentration of credit risks with respect to such receivables is limited.

During the year ended June 30, 2021, The People Concern earned \$24,409,766 (33% of total revenue and support) under intensive case management programs administered by the Los Angeles County Department of Health Services. The People Concern also earned \$17,149,444 (23% of total revenue and support) under homeless services programs administered by the Los Angeles Homeless Services Authority (LAHSA) (with a portion passed through the U.S. Department of Housing and Urban Development) and \$10,879,660 (15% of total revenue and support) under mental health services administered by the Los Angeles County Department of Mental Health. The People Concern anticipates that it will continue to run these programs. There can be no assurance that The People Concern will be able to obtain future grant agreements upon the expiration of the current term of the contracts.

# THE PEOPLE CONCERN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (h) CONTRIBUTIONS AND PLEDGES RECEIVABLE

The People Concern recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest are received. The People Concern reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Pledges receivable are discounted to their present value when payments are expected in future periods exceeding one year. These discounts are recorded as reductions to contribution revenue and pledges receivable, and are adjusted annually.

Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Intentions to give are not included as support until payments are made or enforceable promises to give are executed.

#### (i) DEFERRED RENT

In September 2003, The People Concern entered into a 55-year lease with the City of Santa Monica to lease the Cloverfield Services Center. Under the terms of the lease, annual rent of \$1 is due for the 55-year term of the lease. The City of Santa Monica purchased the building, at a cost of \$5,000,000 with the specific intent to lease it to The People Concern under this arrangement. Accordingly, the below-market lease was recorded as a deferred rent asset with a corresponding temporarily restricted contribution recognized. The deferred rent asset is being amortized over the period of the lease, and amortization expense for the year ended June 30, 2021 was \$90,909.

#### (j) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation, if donated. Depreciation is provided over the estimated useful lives of the related assets on a straight-line basis as follows:

Buildings and Improvements	23-40 Years
Furniture and Fixtures	5-10 Years
Automobiles and Trucks	5 Years
Leasehold Improvements	Lesser of Useful Life or Lease Term (Including Extensions)

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year. Expenditures for property and equipment acquired under certain grant agreements are expensed when incurred because the grantor retains title to such assets.

# THE PEOPLE CONCERN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **(k) LONG-LIVED ASSETS**

The People Concern reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flow is less than the carrying amount of the assets, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2021.

#### **(l) CONTRACT ADVANCES**

During the year ended June 30, 2021, The People Concern received additional cash flow advances from LAHSA bringing the total advance balance to \$4,009,748 as of June 30, 2021, which is included in the contract advances balance of \$5,451,303 at June 30, 2021.

#### **(m) CONTRACT RESERVES**

Contract reserves at June 30, 2021, amounting to \$1,817,654, are comprised of estimated disallowances under government contracts or amounts due back to government agencies.

#### **(n) PAYCHECK PROTECTION PROGRAM (PPP) LOAN**

Management has elected to account for the forgivable loan received under the Paycheck Protection Program (PPP) provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act as a debt instrument and to accrue interest on the outstanding loan balance. Additional interest at a market rate (due to the stated interest rate of the PPP loan being below market) is not imputed, as transactions where interest rates are prescribed by governmental agencies are excluded from the scope of the accounting guidance on imputing interest. The proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven or The People Concern has been legally released or (2) The People Concern repays the loan to the lender.

#### **(o) CONTRIBUTIONS IN-KIND**

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed goods and services were valued at \$269,740 for the year ended June 30, 2021. Contributed facility usage was valued at \$634,567 for the year ended June 30, 2021.

A substantial number of volunteers have donated significant amounts of their time to The People Concern. Some of the services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized as revenue.

## THE PEOPLE CONCERN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### **(p) INCOME TAXES**

The People Concern is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

People Co, LLC is a single-member title-holding LLC and considered a disregarded entity for Federal tax purposes.

In accordance with the Financial Accounting Standards Board (FASB) ASC Topic No. 740, *Uncertainty in Income Taxes*, The People Concern recognizes the impact of tax positions in the consolidated financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2021, The People Concern performed an evaluation of uncertain tax positions and did not identify any matters that would require recognition in the consolidated financial statements or which might have an effect on its tax-exempt status.

##### **(q) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS**

The People Concern has adopted the fair value standard that clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Further, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The Financial Accounting Standards Board (FASB) ASC 820 establishes a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.
- Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

For cash, grants, contracts and other receivables, pledges receivable, accounts payable and accrued liabilities, the carrying amounts represent a reasonable estimate of fair values due to their short-term maturity. Investments are reflected at estimated fair value as described in Note 3. The carrying value of notes payable approximates its fair value at June 30, 2021.



# THE PEOPLE CONCERN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **(r) FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing The People Concern's programs and other activities have been presented in the consolidated statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The People Concern uses full-time equivalents to allocate indirect and shared costs.

#### **(s) USE OF ESTIMATES**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

#### **(t) COMPARATIVE TOTALS**

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with The People Concern's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

#### **(u) NEW ACCOUNTING PRONOUNCEMENTS**

In May 2014, FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of accounting principles generally accepted in the United States of America and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on scope exceptions, and various other narrow aspects, as identified and addressed in such updates. The People Concern implemented this ASU during the year ended June 30, 2021. There was no significant impact to The People Concern's consolidated financial statements as a result of the implementation of the ASU. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

## THE PEOPLE CONCERN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### **(u) NEW ACCOUNTING PRONOUNCEMENTS** (continued)

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. For The People Concern, the ASU will be effective for the year ending June 30, 2022.

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the consolidated statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and provide additional information about the amounts recorded in the consolidated financial statements. For The People Concern, the ASU will be effective for the year ending June 30, 2023.

##### **(v) SUBSEQUENT EVENTS**

The People Concern has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of June 30, 2021 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through April 11, 2022, the date these consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred.

# THE PEOPLE CONCERN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

### NOTE 3 - INVESTMENTS

The following table presents information about The People Concern's investments that are measured at fair value on a recurring basis at June 30, 2021 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2021	Fair Value Measurements Using		
		Significant Other Observable Inputs (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities and Equity Mutual Funds	\$ 2,354,975	\$ 2,354,975	\$ -	\$ -
Fixed Income Mutual Funds	394,851	394,851	-	-
Corporate Bonds	608,009	-	608,009	-
U.S. Treasuries	220,032	-	220,032	-
Exchange Traded Funds	191,430	191,430	-	-
Real Estate Investment Trusts	78,993	78,993	-	-
Membership Interest	350,000	-	-	350,000
<b>TOTAL INVESTMENTS</b>	<b>\$ 4,198,290</b>	<b>\$ 3,020,249</b>	<b>\$ 828,041</b>	<b>\$ 350,000</b>

The fair values of investments within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

The fair value of corporate bonds and U.S. treasuries within Level 2 inputs were determined by discounting the related cash flows based on current yields of similar instruments with comparable durations and considering the credit-worthiness of the issuer.

The fair value of the membership interest was determined based on subscription interest sales of similar interests, which is considered to be a reasonable approximation of fair value at June 30, 2021.

Investments at June 30, 2021 include funds held in trust of \$2,332,809 restricted for use by The People Concern's Sojourn program.

In addition, The People Concern is the managing general partner of the following permanent supportive housing projects. The People Concern will be responsible for providing all social services for the tenants of the projects, when complete, for which The People Concern will receive an annual social services fee. As described in Note 2(e), The People Concern will account for these investments using the equity method of accounting.

	Membership Interest	Initial Investment	Project
Lamp Lodge LP	0.005%	\$ -	Lamp Lodge, Los Angeles
When Life Hands You Lemons, LP	0.005%	50	Kensington Campus, Lancaster
When Life Hands You More Lemons, LP	0.005%	50	Kensington Campus, Lancaster
No More Lemons, LP	0.005%	-	Kensington Campus, Lancaster
Neighborhood Works 9502 Purchasing, L.P. (held through Watts PSH, LLC)	0.005%	-	Watts Works, Compton
1043 Harvard, L.P. (held through Harvard PSH LLC)	0.048%	-	Harvard Gardens, Los Angeles

## THE PEOPLE CONCERN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

#### NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable at June 30, 2021 are expected to be collected as follows:

Within One Year	\$ 1,171,814
In Two to Five Years	340,000
After Five Years	<u>20,000</u>
<b>TOTAL PLEDGES RECEIVABLE</b>	<b><u>\$ 1,531,814</u></b>

#### NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021:

Land	\$ 9,638,888
Buildings and Improvements	31,817,038
Furniture and Equipment	1,548,922
Leasehold Improvements	15,935,669
Construction in Progress	<u>2,530,438</u>
<b>TOTAL</b>	<b>61,470,955</b>
Less: Accumulated Depreciation	<u>(10,924,661)</u>
<b>PROPERTY AND EQUIPMENT (NET)</b>	<b><u>\$ 50,546,294</u></b>

Depreciation expense for the year ended June 30, 2021 was \$1,163,726. The estimated cost to complete the construction in progress is approximately \$150,000.

Included in buildings and improvements are \$10,828,326 of development costs that are subject to a fifteen year permitted use restriction and \$14,520,000 that are subject to specific conditions as detailed in Note 7.

#### NOTE 6 - LINE OF CREDIT

The People Concern has a revolving bank line of credit with a facility of \$4,000,000 (secured by all real and personal property) through October 2022. The line of credit bears interest at the bank's prime rate plus 0% with a floor rate of 4.0%. The bank's prime rate at June 30, 2021 was 3.25%. At June 30, 2021 there were no amounts outstanding on the line of credit. The line of credit contains various covenants, including a minimum debt service coverage ratio and a minimum liquidity requirement.

## THE PEOPLE CONCERN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

#### NOTE 7 - NOTES PAYABLE

Notes payable consists of the following at June 30, 2021:

##### NOTES PAYABLE - GOVERNMENT AGENCIES:

Promissory note in favor of the City of Los Angeles dated December 14, 2020 in the original principal amount of \$10,580,000 to fund the purchase of a Project Homekey site located at 9250 Airport Boulevard in Los Angeles with 0% interest accruing during the term of the note, and a full balloon payment of the principal amount of the note due upon the earlier of (a) closing of construction financing for conversion to permanent housing, or (b) five years from execution of the note. A deed of trust secures amounts due under the note and a regulatory agreement, with the City of Los Angeles named as beneficiary, restricts the use of the property to interim or permanent supportive/affordable housing for fifty-five years of project operations, with a requirement to use the property for interim housing for an initial period of three to five years, and with any plans for future conversion to permanent housing subject to review and approval by the City of Los Angeles.

\$ 10,580,000

Promissory note in favor of the City of Los Angeles dated December 14, 2020 in the original principal amount of \$3,940,000 to fund the purchase of a Project Homekey site located at 4701 West Adams Boulevard in Los Angeles with 0% interest accruing during the term of the note, and a full balloon payment of the principal amount of the note due upon the earlier of (a) closing of construction financing for conversion to permanent housing, or (b) five years from execution of the note. A deed of trust secures amounts due under the note and a regulatory agreement, with the City of Los Angeles named as beneficiary, restricts the use of the property to interim or permanent supportive/affordable housing for fifty-five years of project operations, with a requirement to use the property for interim housing for an initial period of three to five years, and with any plans for future conversion to permanent housing subject to review and approval by the City of Los Angeles.

3,940,000

Non-interest bearing note payable to the City of Los Angeles in the original principal amount of \$1,367,150 to fund the Village renovation. The renovations were completed by the end of the year ended June 30, 2020. Principal repayment is in the form of services to the homeless and those transitioning out of homelessness at a rate of \$91,144 per annum over the 15-year term.

1,276,006

## THE PEOPLE CONCERN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

#### NOTE 7 - NOTES PAYABLE (continued)

##### NOTES PAYABLE - GOVERNMENT AGENCIES: (continued)

Note payable to the City of Santa Monica in the original principal amount of \$1,200,000, entered into in September 2003, collateralized by the Cloverfield Services Center in Santa Monica, with principal and interest at 5.98% due in annual installments from residual receipts (as defined in the loan agreement) from the Center as long as the Center is used to provide congregate housing and emergency shelter for very low income persons. The loan is forgivable at the end of the 55-year term. \$ 1,200,000

Non-interest bearing note payable to the City of Santa Monica as successor to the Redevelopment Agency of the City of Santa Monica in the original principal amount of \$1,197,112, entered into in September 2003, collateralized by the Cloverfield Services Center in Santa Monica. The note is forgivable annually over the 55-year term provided the Center is used to provide congregate housing and emergency shelter for very low income persons. 823,856

Non-interest bearing note payable to the City of Los Angeles in the original principal amount of \$650,000, entered into in August 2000, collateralized by the Sojourn property. Principal repayment in the form of services to victims of domestic violence at a rate of \$32,500 per annum over the 20-year term. 51,458

**TOTAL NOTES PAYABLE - GOVERNMENT AGENCIES** \$ 17,871,320

It is not anticipated that The People Concern will have any residual receipts on the operations of the Cloverfield Services Center that will activate the requirement to make cash payments on the loan from the City of Santa Monica. It is also anticipated that, for the foreseeable future, the Village will continue to operate as an emergency shelter, transitional housing facility or safe haven and that the Cloverfield Services Center will continue to provide congregate housing and emergency shelter for very low income persons. Contingent interest on the note payable to the City of Santa Monica amounted to \$1,754,901 at June 30, 2021.

# THE PEOPLE CONCERN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

### NOTE 7 - NOTES PAYABLE (continued)

#### NOTES PAYABLE - BANKS AND OTHER:

Note payable (PPP) to a bank in the original principal amount of \$5,601,000. The PPP loan, administered by the Small Business Administration (SBA), bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the SBA. Interest accrues on the loan beginning with the initial disbursement; however, payments of principal and interest are deferred until the lender's determination of the amount of forgiveness applied for by the borrower is approved by the SBA. If The People Concern does not apply for forgiveness within 10 months after the last day of the covered period (defined, at The People Concern's election, as either 8 weeks or 24 weeks), such payments will be due that month. Subsequent to year end, the People Concern applied for forgiveness of the PPP loan with respect to the eligible expenses incurred during the covered period. To the extent that all or part of the PPP loan is not forgiven, The People Concern will be required to pay interest on the PPP loan at a rate of 1.0% per annum. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events.

\$ 5,601,000

Note payable to a bank in the original principal amount of \$5,500,000, secured by a deed of trust over properties in Santa Monica and Los Angeles. The note bears interest at a fixed rate of 3.95% per annum and matures in October 2047 with monthly principal and interest payments of \$26,227. The note contains various covenants, including a minimum debt service coverage ratio and a minimum liquidity requirement.

5,114,790

Note payable to a bank in the original principal amount of \$344,000, secured by a deed of trust over the Sojourn property. The note bears interest at a fixed rate of 4.7% per annum until January 2022 when the rate changes to an adjustable rate base on LIBOR plus 2.25% with an interest rate floor of 2.7% and an interest rate ceiling of 9.95%. The note matures in January 2045 with monthly principal and interest payments of \$1,784.

304,834

#### **TOTAL NOTES PAYABLE - BANKS AND OTHER**

11,020,624

#### **TOTAL NOTES PAYABLE**

\$ 28,891,944

## THE PEOPLE CONCERN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

#### NOTE 7 - NOTES PAYABLE (continued)

Future maturities of notes payable are as follows:

#### Year Ended June 30

2022	\$ 5,866,659
2023	258,050
2024	243,590
2025	14,769,336
2026	257,573
Thereafter	<u>7,496,736</u>
<b>TOTAL</b>	<b><u>\$ 28,891,944</u></b>

Interest expense on notes payable - government and other for the year ended June 30, 2021 was \$224,134.

#### NOTE 8 - EMPLOYEE BENEFIT PLANS

The People Concern currently offers two retirement plans for its employees as noted below:

The People Concern offers its employees the opportunity to participate in a 403(b) retirement plan, which represents an annuity contract purchased from VOYA. Employees are eligible to contribute to the plan immediately upon hire and may contribute a maximum amount as permitted by law per year. Employer contributions to the plan are not required. There were no employer contributions made to the plan during the year ended June 30, 2021.

Lamp had established a profit sharing plan for its full time employees. The plan provided for annual contributions to be made at the discretion of the Board of Directors. Since November 2010 Lamp also had a 403(b) tax-sheltered annuity plan. This plan covered all employees who normally worked 20 hours a week or more and had one year of service. Lamp contributed 100% of eligible employee contributions up to 2.5% of compensation. The profit sharing plan and the 403(b) plan were not offered to employees once OPCC and Lamp merged. Lamp employees enrolled in the Valic plan prior to the merger, and those who elected to continue contributions, are permitted to do so. There were no employer contributions made to the plan during the year ended June 30, 2021.

All eligible employees of The People Concern are offered the VOYA plan at this time and the Lamp plan is only available for those employees who were participating in the plan when the merger between OPCC and Lamp occurred.



## THE PEOPLE CONCERN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

#### NOTE 9 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at June 30, 2021:

Undesignated	\$ 8,640,466
Board Designated Reserve Fund	<u>1,677,921</u>
<b>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b><u>\$ 10,318,387</u></b>

#### NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2021:

Subject to the Passage of Time:	
Time Restricted	\$ 10,467,158
Subject to Expenditure for Specified Purpose:	
Sojourn	5,917,286
Contributed Rent	3,386,364
Housing	2,391,726
Health and Wellness	1,719,494
Kensington Campus	470,406
Outreach and Engagement	205,876
COVID-19	136,309
Diversity and Inclusion	40,724
Other Activities	<u>121,047</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 24,856,390</u></b>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2021:

Expiration of Specified Time Period:	
Time Restriction	\$ 899,734
Satisfaction of Purpose Restrictions:	
Housing	2,305,450
Health and Wellness	1,418,203
Contributed Rent	725,476
COVID-19	332,034
Sojourn	295,927
K9 Connection	229,913
Outreach and Engagement	137,125
Diversity and Inclusion	34,276
Other Activities	<u>222,144</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 6,600,282</u></b>

# THE PEOPLE CONCERN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

### NOTE 11 - COMMITMENTS AND CONTINGENCIES

#### (a) OPERATING LEASES

The People Concern also leases certain supportive housing units and equipment under month-to-month operating leases.

The People Concern rents facilities and various equipment under operating lease agreements expiring at various dates through September 2038. Future minimum commitments under existing non-cancellable leases as of June 30, 2021 are as follows:

#### Years Ending June 30

2022	\$	2,038,072
2023		1,823,507
2024		1,778,421
2025		1,831,074
2026		1,848,290
Thereafter		<u>7,459,206</u>
<b>TOTAL</b>	\$	<u>16,778,570</u>

The People Concern also leases certain supportive housing units and equipment under month-to-month operating leases.

Rent expense under operating leases for the year ended June 30, 2021 was \$2,091,713 which is included in occupancy expense in the consolidated statement of functional expenses.

#### (b) LEGAL PROCEEDINGS

In the ordinary course of conducting its business, The People Concern becomes involved in various lawsuits. Some of these proceedings may result in judgments being assessed against The People Concern which, from time to time, may have an impact on changes in net assets. The People Concern recognizes a liability related to legal claims when the loss contingency is both probable and reasonably estimable.

# THE PEOPLE CONCERN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

### **NOTE 11 - COMMITMENTS AND CONTINGENCIES** (continued)

#### **(c) CONTRACTS**

The People Concern's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and accordingly no provision has been made in these consolidated financial statements, except as described in Note 2(m).

#### **(d) SOCIAL SERVICES AGREEMENTS**

The People Concern has entered into various agreements to provide social services to permanent supporting housing projects.

### **NOTE 12 - RELATED PARTY TRANSACTIONS**

FlyawayHomes is a nonprofit affordable housing developer that has introduced a scalable, replicable and cost-effective model for building permanent supportive housing (PSH) in a third of the time and for a third of the cost per person of the traditional development model.

Certain members of The People Concern's Board of Directors have invested in properties developed by FlyawayHomes. In addition, certain members of The People Concern's Board of Directors serve in pro-bono roles as the Founder and Chairman, the President and Chief Executive Officer, and the Founder and Chief Financial Officer of Flyaway Homes.

Through People Co, LLC, The People Concern has entered into a lease agreement with PSH Colden, LLC, a PSH property developed by FlyawayHomes. In addition to serving as the master lessee of the property, The People Concern is the service provider for clients residing at that location. There are also members of the Board of Directors of The People Concern that have invested in the PSH Colden, LLC property. The term of this master lease is September 1, 2018 through September 30, 2028, with rental payments of \$23,150 per month due in advance. All utilities are paid by the landlord. An annual increase equivalent to the annual Consumer Price Index increase published by the Bureau of Labor Statistics shall begin on January 1, 2020 and continue through the lease term. Lease commitments related to this lease are included in Note 11(a).

The People Concern has adopted a conflict of interest policy and at meetings of the Board of Directors of The People Concern, any Board members with potential conflicts of interest recuse themselves from any vote related to FlyawayHomes.

# THE PEOPLE CONCERN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

### NOTE 13 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by The People Concern at June 30, 2021 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the consolidated statement of financial position are summarized in the following table:

Financial Assets at June 30, 2021:	
Cash and Cash Equivalents	\$ 3,157,989
Investments	3,848,290
Grants, Contracts, and Other Receivable (Net of Contract Advances)	10,023,340
Pledges Receivable	<u>1,531,814</u>
<b>TOTAL FINANCIAL ASSETS AT JUNE 30, 2021</b>	18,561,433
Less Amounts Not Available to Be Used Within One Year, Due to:	
Donor-Imposed Restrictions:	
Funds Held with Purpose Restrictions	(9,354,133)
Pledges Receivable Restricted by Purpose and/or Time	(1,531,814)
Board Designations:	
Board Designated Reserve Fund	<u>(1,677,921)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<u>\$ 5,997,565</u>

The People Concern regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The People Concern is substantially supported by government grants and contracts, which can result in The People Concern having to carry significant accounts receivable balances. As part of The People Concern's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The People Concern has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a \$4,000,000 line of credit. The People Concern also has a Board designated reserve fund of \$1,677,921 that can be drawn upon to fund unanticipated liquidity needs.

**THE PEOPLE CONCERN**

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2021

**THE PEOPLE CONCERN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2021

Federal Grantor/Passed Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Contract Number	Governmental Revenue Federal	Program Expenditures from Governmental Grants
<b>FEDERAL AWARDS</b>				
<b>U.S. Department of Housing and Urban Development:</b>				
Direct Award				
Continuum of Care Program - VFC Dual Diagnosis	14.267	CA0460L9D001912	\$ 108,838	\$ 108,838
Pass-through Housing and Community Investment Department - City of Los Angeles				
COVID-19 - Community Development Block Grant - DV - CARES	21.019	C-137374	38,878	38,878
COVID-19 - Domestic Violence - Project Safe Haven - CARES	21.019	C-136996	8,000	8,000
Pass-through, Los Angeles County Department of Public Health				
COVID-19 - Domestic Violence Service For Families - CARES	21.019	PH-004345	44,865	44,865
Pass-through Housing and Community Investment Department - City of Los Angeles				
Community Development Block Grant - Sojourn	14.218	C-136708	136,413	136,413
Pass-through Los Angeles Community Development Commission				
Community Development Block Grant - Sojourn	14.218	110815	7,543	7,543
Pass-through, City of Lancaster				
Community Development Block Grant - Lancaster	14.218	None	116,801	116,801
<b>Total CDBG - ENTITLEMENT GRANTS CLUSTER</b>			<u>260,757</u>	<u>260,757</u>
Pass-through Los Angeles Homeless Services Authority				
Continuum of Care Program - Safe Haven	14.267	CA0527L9D001912	584,327	584,327
Emergency Solutions Grant (a)	14.231	2017CNESG03	97,097	97,097
COVID 19 - Emergency Solutions Grant (a)	14.231	2020ESGEP17	285,182	285,182
COVID-19 - Community Development Block Grant (a)	12.231	2020ESGEP17	192,718	192,718
COVID-19 - Community Development Block Grant (a)	12.231	2020ESGEP02	5,032	5,032
COVID-19 - Recovery Rehousing (a)	14.231	2020CRFRR21	523,027	523,027
COVID-19 - Recovery Rehousing	21.019	2020CRFRR21	269,281	269,281
Pass-through, Los Angeles Homeless Services Authority,				
Continuum of Care Program - Lodge SHP	14.267	CA0490L9D001811 CA0409L9D001912	253,069	253,069
Pass-through, City of Los Angeles, Housing Opportunities for Persons with AIDS				
Emergency Transitional Housing and Supportive Services	14.241	C-133824	581,847	581,847
<b>Total U.S. Department of Housing and Urban Development</b>			<u>3,252,918</u>	<u>3,252,918</u>

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**THE PEOPLE CONCERN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2021

	Federal Assistance Listing Number	Contract Number	Governmental Revenue Federal	Program Expenditures from Governmental Grants
<b>FEDERAL AWARDS</b>				
Federal Grantor/Passed Through Grantor/Program or Cluster Title				
<b>U.S. Department of Homeland Security:</b>				
Pass-through, United Way, Emergency Food and Shelter National Board Program				
Emergency Food and Shelter Program	97.024	EFSP Phase 37	\$ 25,000	\$ 25,000
COVID-19 - Emergency Food and Shelter Program	97.024	EFSP Phase CARES	<u>500,000</u>	<u>500,000</u>
<b>Total U.S. Department of Homeland Security</b>			525,000	525,000
<b>U.S. Department of Justice:</b>				
Pass-through California Emergency Management Agency/ VOCA				
Domestic Violence Assistance Program/ VOCA - Legal Assistance Program	16.575	XL19 02 1197/ XL20 03 1197	183,807	183,807
Domestic Violence Assistance Program/ VOCA - Sojourn	16.575	DV 17 33 1197 / DV18 34 1197	340,616	340,616
VOCA - Increased Access to Services Program	16.575	KU19 01 1197	125,000	125,000
LA County DA-California Emergency Management Agency/ VOCA				
County Victim Services (XC) Program/ VOCA	16.575	DV10-2020/ DV10-2021	123,356	123,356
Pass-through, Los Angeles County District Attorney - California Emergency Management				
California Partnership to End Domestic Violence	16.575	N/A	<u>21,291</u>	<u>21,291</u>
<b>Total U.S. Department of Justice</b>			<u>794,070</u>	<u>794,070</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 4,571,988</u>	<u>\$ 4,571,988</u>

(a) Audited as a major program.

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## THE PEOPLE CONCERN

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

#### Notes to the Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2021:

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of The People Concern under programs of the Federal government for the year ended June 30, 2021. 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 The People Concern, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The People Concern.

**2. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**3. Indirect Cost Rate**

The People Concern has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**4. Awards to Subrecipients**

The People Concern has not provided any Federal awards to subrecipients from the Federal expenditures presented in the Schedule.

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**THE PEOPLE CONCERN**

**SCHEDULE OF EXPENDITURES OF AWARDS  
FROM THE LOS ANGELES HOUSING AND  
COMMUNITY INVESTMENT DEPARTMENT**

Year Ended June 30, 2021

	Federal Assistance Listing Number	Contract Number	Governmental Revenue Federal	Governmental Revenue Non-Federal	Program Expenditures from Governmental Grants
<b>U.S. Department of Housing and Urban Development:</b>					
Pass-through Housing and Community Investment Department - City of Los Angeles					
Community Development Block Grant	14.218	C-136708	\$ 136,413	\$ -	\$ 136,413
City of Los Angeles General Funds		C-136708	-	81,267	81,267
<b>TOTAL AWARDS</b>			<u>\$ 136,413</u>	<u>\$ 81,267</u>	<u>\$ 217,680</u>

**Notes to the Schedule of Expenditures of Awards from the Los Angeles Housing and Community Investment Department for the Year Ended June 30, 2021:**

**1. Awards to Subrecipients**

The People Concern has not provided any awards to subrecipients from the expenditures above.

**2. Award Period**

The contract period is July 1, 2020 through June 30, 2021, which is the same as the audit period.

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