

THE PEOPLE CONCERN

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

THE PEOPLE CONCERN
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

**AUDIT
AND
ASSURANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The People Concern

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The People Concern (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The People Concern as of June 30, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of The People Concern and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The People Concern's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

To the Board of Directors
The People Concern

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The People Concern's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The People Concern's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited The People Concern's June 30, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated audited financial statements in our report dated April 11, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated 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.

To the Board of Directors
The People Concern

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2023 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

March 28, 2023
Los Angeles, California

THE PEOPLE CONCERN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2022

With Summarized Totals at June 30, 2021

| ASSETS | 2022 | 2021 |
|----------------------------------------------------|----------------------|----------------------|
| Cash and Cash Equivalents | \$ 5,021,242 | \$ 3,157,989 |
| Restricted Cash - Held for Clients | 771,265 | 1,304,981 |
| Investments | 3,769,667 | 4,198,290 |
| Grants, Contracts and Other Receivables | 13,796,174 | 15,474,643 |
| Pledges Receivable | 2,593,262 | 1,531,814 |
| Prepaid Expenses and Other Assets | 1,478,788 | 1,624,678 |
| Deferred Rent | 3,295,455 | 3,386,364 |
| Property and Equipment (Net) | 51,611,839 | 50,546,294 |
| TOTAL ASSETS | \$ 82,337,692 | \$ 81,225,053 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES: | | |
| Accounts Payable | \$ 3,157,943 | \$ 3,107,040 |
| Accrued Liabilities | 4,332,372 | 5,477,354 |
| Funds Held on Behalf of Clients | 771,265 | 1,304,981 |
| Contract Advances | 4,788,521 | 5,451,303 |
| Contract Reserves | 1,246,039 | 1,817,654 |
| Notes Payable | 23,025,881 | 28,891,944 |
| TOTAL LIABILITIES | 37,322,021 | 46,050,276 |
| NET ASSETS: | | |
| Without Donor Restrictions: | | |
| Undesignated | 16,384,654 | 8,640,466 |
| Board Designated | 1,387,870 | 1,677,921 |
| TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS | 17,772,524 | 10,318,387 |
| With Donor Restrictions | 27,243,147 | 24,856,390 |
| TOTAL NET ASSETS | 45,015,671 | 35,174,777 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 82,337,692 | \$ 81,225,053 |

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

THE PEOPLE CONCERN

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

With Summarized Totals for the Year Ended June 30, 2021

| | 2022 | | | 2021 Total |
|-----------------------------------------------|-------------------------------|----------------------------|----------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| REVENUE AND SUPPORT: | | | | |
| Government Grants and Contracts | \$ 64,727,964 | \$ 205,500 | \$ 64,933,464 | \$ 60,165,172 |
| Contributions | 2,986,775 | 9,900,419 | 12,887,194 | 9,990,539 |
| Contributions In-Kind | 225,668 | 999,611 | 1,225,279 | 904,307 |
| Investment Return (Net) | (120,590) | (276,638) | (397,228) | 982,031 |
| Rental and Other Income | 1,197,119 | - | 1,197,119 | 1,435,289 |
| Forgiveness of Notes Payable | 5,746,040 | - | 5,746,040 | 1,145,040 |
| Loss on Disposal of Property and Equipment | - | - | - | (87,073) |
| Net Assets Released from Donor Restrictions | 8,442,135 | (8,442,135) | - | - |
| TOTAL REVENUE AND SUPPORT | 83,205,111 | 2,386,757 | 85,591,868 | 74,535,305 |
| EXPENSES: | | | | |
| Program Services | 69,558,137 | - | 69,558,137 | 64,325,443 |
| Management and General | 4,490,856 | - | 4,490,856 | 4,480,417 |
| Fundraising | 1,701,981 | - | 1,701,981 | 1,682,192 |
| TOTAL EXPENSES | 75,750,974 | - | 75,750,974 | 70,488,052 |
| CHANGE IN NET ASSETS | 7,454,137 | 2,386,757 | 9,840,894 | 4,047,253 |
| Net Assets - Beginning of Year | 10,318,387 | 24,856,390 | 35,174,777 | 31,127,524 |
| NET ASSETS - END OF YEAR | <u>\$ 17,772,524</u> | <u>\$ 27,243,147</u> | <u>\$ 45,015,671</u> | <u>\$ 35,174,777</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, 2022
With Summarized Totals for the Year Ended June 30, 2021

| | 2022 | | | | | | | Management and General | Fundraising | Total | 2021 Total |
|---------------------------------------|----------------------|---------------------|----------------------|------------------------------------------------|-----------------------------|---------------------|----------------------|---------------------------|---------------------|----------------------|----------------------|
| | Housing | Mental Health | Domestic Violence | Program Services Outreach and Engagement | Wellness and Life Skills | Other | Total | | | | |
| Salaries | \$ 20,529,101 | \$ 5,139,988 | \$ 1,067,825 | \$ 4,947,548 | \$ 754,628 | \$ 1,390,259 | \$ 33,829,349 | \$ 1,673,241 | \$ 1,124,467 | \$ 36,627,057 | \$ 33,227,206 |
| Payroll Taxes and Employee Benefits | 4,309,341 | 1,016,937 | 229,380 | 1,112,994 | 158,456 | 251,408 | 7,078,516 | 212,871 | 185,655 | 7,477,042 | 7,053,837 |
| TOTAL PERSONNEL COSTS | 24,838,442 | 6,156,925 | 1,297,205 | 6,060,542 | 913,084 | 1,641,667 | 40,907,865 | 1,886,112 | 1,310,122 | 44,104,099 | 40,281,043 |
| Direct Program Services | 6,404,775 | 212,288 | 106,152 | 1,268,185 | 42,089 | 265,888 | 8,299,377 | - | - | 8,299,377 | 7,385,922 |
| Legal and Professional Services | 3,239,476 | 832,835 | 30,614 | 476,888 | 50,409 | 612,591 | 5,242,813 | 1,063,963 | 148,278 | 6,455,054 | 7,314,319 |
| Occupancy | 4,575,907 | 1,224,282 | 172,388 | 1,269,119 | 58,634 | 274,162 | 7,574,492 | 270,080 | 79,068 | 7,923,640 | 7,096,903 |
| Subcontractor Expenses | 3,080,372 | 42,717 | - | 2,367,515 | - | 50,000 | 5,540,604 | - | - | 5,540,604 | 4,866,403 |
| Office Expenses | 888,255 | 228,954 | 79,414 | 280,900 | 20,957 | 30,595 | 1,529,075 | 381,114 | 116,731 | 2,026,920 | 1,975,036 |
| Depreciation | 84,776 | - | 26,784 | 2,945 | - | 4,274 | 118,779 | 745,357 | - | 864,136 | 1,163,726 |
| Other Expenses | 230,390 | 51,753 | 7,069 | 35,555 | 8,500 | 11,865 | 345,132 | 144,230 | 47,782 | 537,144 | 404,700 |
| TOTAL 2022 FUNCTIONAL EXPENSES | <u>\$ 43,342,393</u> | <u>\$ 8,749,754</u> | <u>\$ 1,719,626</u> | <u>\$ 11,761,649</u> | <u>\$ 1,093,673</u> | <u>\$ 2,891,042</u> | <u>\$ 69,558,137</u> | <u>\$ 4,490,856</u> | <u>\$ 1,701,981</u> | <u>\$ 75,750,974</u> | |
| | | | | | | | 91% | 6% | 3% | 100% | |
| TOTAL 2021 FUNCTIONAL EXPENSES | <u>\$ 38,120,358</u> | <u>\$ 8,742,852</u> | <u>\$ 1,687,393</u> | <u>\$ 10,768,025</u> | <u>\$ 1,513,288</u> | <u>\$ 3,493,527</u> | <u>\$ 64,325,443</u> | <u>\$ 4,480,417</u> | <u>\$ 1,682,192</u> | | <u>\$ 70,488,052</u> |
| | | | | | | | 91% | 6% | 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, 2022

With Summarized Totals for the Year Ended June 30, 2021

| | 2022 | 2021 |
|------------------------------------------------------------------------------------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in Net Assets | \$ 9,840,894 | \$ 4,047,253 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 864,136 | 1,163,726 |
| Realized and Unrealized (Gain) Loss on Investments | 478,821 | (910,810) |
| Forgiveness of Notes Payable | (5,746,040) | (1,145,040) |
| Loss on Disposal of Property and Equipment | - | 87,073 |
| Amortization of Deferred Rent | 90,909 | 90,909 |
| Donated Stock | (49,262) | (141,908) |
| Proceeds from Sale of Donated Stock | 50,410 | 153,411 |
| Realized Gain on Sale of Donated Stock | (1,148) | (427) |
| (Increase) Decrease in: | | |
| Grants, Contracts and Other Receivables | 1,678,469 | (4,115,202) |
| Pledges Receivable | (1,061,448) | 158,724 |
| Prepaid Expenses and Other Assets | 145,890 | (66,709) |
| Increase (Decrease) in: | | |
| Accounts Payable | 50,903 | (85,757) |
| Accrued Liabilities | (1,144,982) | 2,339,221 |
| Funds Held on Behalf of Clients | (533,716) | (494,128) |
| Contract Advances | (662,782) | 1,934,354 |
| Contract Reserves | (571,615) | 742,814 |
| | 3,429,439 | 3,757,504 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of Property and Equipment | (1,929,681) | (3,892,299) |
| Investment in Membership Interest | - | (50,000) |
| Interest and Dividends Reinvested (Net) | (52,811) | (40,233) |
| Purchase of Investments | (897,379) | (926,002) |
| Proceeds on Sale of Investments | 899,992 | 1,488,942 |
| | (1,979,879) | (3,419,592) |
| NET CASH USED IN INVESTING ACTIVITIES | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payments on Notes Payable | (120,023) | (114,431) |
| | (120,023) | (114,431) |
| NET CASH USED IN FINANCING ACTIVITIES | | |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,329,537 | 223,481 |
| Cash and Cash Equivalents - Beginning of Year | 4,462,970 | 4,239,489 |
| | \$ 5,792,507 | \$ 4,462,970 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | | |

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

THE PEOPLE CONCERN

CONSOLIDATED STATEMENT OF CASH FLOWS Year Ended June 30, 2022 With Summarized Totals for the Year Ended June 30, 2021

| | <u>2022</u> | <u>2021</u> |
|--------------------------------------------------------------------------------|----------------------------|----------------------------|
| CASH AND CASH EQUIVALENTS INCLUDES: | | |
| Cash and Cash Equivalents | \$ 5,021,242 | \$ 3,157,989 |
| Restricted Cash - Held for Clients | <u>771,265</u> | <u>1,304,981</u> |
| <i>TOTAL CASH AND CASH EQUIVALENTS</i> | <u>\$ 5,792,507</u> | <u>\$ 4,462,970</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash Paid During the Year for Interest | <u>\$ 326,713</u> | <u>\$ 224,134</u> |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Acquisition of Property Financed through Notes Payable | <u>\$ -</u> | <u>\$ 14,520,000</u> |

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

THE PEOPLE CONCERN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

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 \$1,387,870 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, 2022

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, 2022 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, 2022 amounted to \$771,265.

(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 7.673% membership interest in 82nd 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, 2022

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, 2022, the majority of receivables are due from governmental agencies and no allowance for uncollectible receivables was considered necessary except as described below.

THE PEOPLE CONCERN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 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.

THE PEOPLE CONCERN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 2022 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, 2022, The People Concern earned \$26,740,263 (31% 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 \$21,041,551 (25% 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 \$10,497,512 (12% 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.

(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.

THE PEOPLE CONCERN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 2022 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.

(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, 2022.

THE PEOPLE CONCERN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) CONTRACT ADVANCES

During the year ended June 30, 2022, The People Concern received additional cash flow advances from LAHSA bringing the total advance balance to \$4,058,898 as of June 30, 2022, which is included in the contract advances balance of \$4,788,521 at June 30, 2022.

(m) CONTRACT RESERVES

Contract reserves at June 30, 2022, amounting to \$1,246,039, are comprised of estimated disallowances under government contracts or amounts due back to government agencies.

(n) PAYCHECK PROTECTION PROGRAM (PPP) LOAN

The People Concern 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) was 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 remained recorded as a liability until April 2022 when The People Concern received notification of forgiveness in full of its PPP loan in the principal amount of \$5,601,000. This forgiveness income is included in forgiveness of notes payable in the consolidated statement of activities.

(o) CONTRIBUTIONS IN-KIND

Contributed goods, services, and facilities are recorded as contributions at their estimated fair value in the period received and expensed when utilized. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, were provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Contributed goods, services, and facilities are valued based upon estimates of fair market value that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor.

THE PEOPLE CONCERN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) CONTRIBUTIONS IN-KIND (continued)

Contributed items and services are not sold but rather used for The People Concern's operations.

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.

For the year ended June 30, 2022, contributions in-kind, which benefit all program services, consist of the following:

| Category | Valuation Methodology | Amount |
|-------------------------------------------------------|------------------------------------------------------------------|---------------------|
| Occupancy | Price per square foot based on market rates in neighboring areas | \$ 999,611 |
| Direct Program Services: | | |
| Household Goods, Clothing, Hygiene Products and Other | Wholesale prices of identical or similar products | 225,668 |
| TOTAL | | \$ 1,225,279 |

(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, 2022, 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.

THE PEOPLE CONCERN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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, 2022.

(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.

THE PEOPLE CONCERN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 2021, from which the summarized information was derived.

(u) NEW ACCOUNTING PRONOUNCEMENTS

In September 2020, FASB issued Accounting Standards Update (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. The People Concern implemented the ASU during the year ending June 30, 2022. There was no significant impact to The People Concern's financial statements as a result of the implementation of the ASU. The presentation and disclosures related to contributed goods, services, and facilities have been enhanced in accordance with the ASU.

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, 2022 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through March 28, 2023, the date these consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred except as described in Note 6.

THE PEOPLE CONCERN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

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, 2022 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

| | Year Ended June 30, 2022 | 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 | \$ 1,918,477 | \$ 1,918,477 | \$ - | \$ - |
| Fixed Income Mutual Funds | 776,323 | 776,323 | - | - |
| Corporate Bonds | 203,765 | - | 203,765 | - |
| U.S. Treasuries | 278,189 | - | 278,189 | - |
| Exchange Traded Funds | 157,961 | 157,961 | - | - |
| Real Estate Investment Trusts | 84,952 | 84,952 | - | - |
| Membership Interest | 350,000 | - | - | 350,000 |
| TOTAL INVESTMENTS | \$ 3,769,667 | \$ 2,937,713 | \$ 481,954 | \$ 350,000 |

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, 2022.

Investments at June 30, 2022 include funds held in trust of \$2,130,621 restricted for use by The People Concern's Sojourn program.

THE PEOPLE CONCERN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 3 - INVESTMENTS (continued)

In addition, The People Concern is either the managing general partner or LLC member 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% | 2 | Watts Works, Compton |
| 1043 Harvard, L.P. (held through Harvard PSH LLC) | 0.048% | - | Harvard Gardens, Los Angeles |
| PSH Colden, LLC (held through The People Concern PSH LLC) | 0.001% | - | 820 West Colden Avenue, Los Angeles |
| 828 Anaheim PSH 5 LP (held through 828 Anaheim PSH5 LLC) | 2.000% | 2 | 828 W Anaheim St., Wilmington |
| 728 Lagoon PSH 3 LP (held through 728 Lagoon PSH 3 LLC) | 2.000% | 2 | 728 N Lagoon Avenue, Wilmington |

The People concern has also guaranteed debt of 828 Anaheim PSH 5 LP in the total amount of \$2,800,000 through the issuance of two guarantees dated May 10, 2022 and July 15, 2022 in the amounts of \$1,175,000 and \$1,675,000, respectively.

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable at June 30, 2022 are expected to be collected as follows:

| | |
|---------------------------------|----------------------------|
| Within One Year | \$ 1,733,262 |
| Within Two to Five Years | 850,000 |
| After Five Years | <u>10,000</u> |
| TOTAL PLEDGES RECEIVABLE | <u><u>\$ 2,593,262</u></u> |

THE PEOPLE CONCERN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2022:

| | |
|-------------------------------------|----------------------|
| Land | \$ 9,638,888 |
| Buildings and Improvements | 32,831,919 |
| Furniture and Equipment | 1,766,428 |
| Leasehold Improvements | 16,336,276 |
| Construction in Progress | <u>2,825,503</u> |
| TOTAL | 63,399,014 |
| Less: Accumulated Depreciation | <u>(11,787,175)</u> |
| PROPERTY AND EQUIPMENT (NET) | <u>\$ 51,611,839</u> |

Depreciation expense for the year ended June 30, 2022 was \$864,136. The estimated cost to complete the construction in progress is approximately \$23,175,000.

Included in buildings and improvements are \$9,391,267 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 had a secured revolving bank line of credit facility of \$4,000,000 at June 30, 2022, that bore interest at the bank's prime rate plus 0% with a floor rate of 4%. The facility was increased effective July 25, 2022 to \$8,000,000 (secured by all real and personal property) with a term through July 3, 2023. The increased line of credit bears interest at the bank's prime rate plus 0% with a floor rate of 4.50%. The bank's prime rate at June 30, 2022 was 4.75%. At June 30, 2022 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, 2022

NOTE 7 - NOTES PAYABLE

Notes payable consists of the following at June 30, 2022:

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 through 2035.

1,184,862

THE PEOPLE CONCERN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

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. 802,460

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. 18,958

TOTAL NOTES PAYABLE - GOVERNMENT AGENCIES \$ 17,726,280

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 \$1,826,661 at June 30, 2022.

THE PEOPLE CONCERN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 7 - NOTES PAYABLE (continued)

NOTES PAYABLE - BANKS AND OTHER:

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. \$ 5,002,878

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. 296,723

TOTAL NOTES PAYABLE - BANKS AND OTHER 5,299,601

TOTAL NOTES PAYABLE \$ 23,025,881

Future maturities of notes payable are as follows:

Year Ended June 30

| | | |
|--------------|-----------|--------------------------|
| 2023 | \$ | 256,939 |
| 2024 | | 253,520 |
| 2025 | | 14,768,819 |
| 2026 | | 255,115 |
| 2027 | | 260,175 |
| Thereafter | | <u>7,231,313</u> |
| TOTAL | \$ | <u>23,025,881</u> |

Interest expense on notes payable - government and other for the year ended June 30, 2022 was \$326,713.

THE PEOPLE CONCERN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

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, 2022.

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, 2022.

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.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2022:

| | |
|-----------------------------------------------------|----------------------|
| Subject to the Passage of Time: | |
| Time Restricted | \$ 9,853,473 |
| Subject to Expenditure for Specified Purpose: | |
| Sojourn | 6,013,056 |
| Housing | 5,062,912 |
| Contributed Rent | 3,295,455 |
| Health and Wellness | 1,744,631 |
| Kensington Campus | 470,406 |
| Policy and Advocacy | 231,832 |
| Outreach and Engagement | 193,193 |
| Other Activities | 378,189 |
| | <hr/> |
| TOTAL NET ASSETS WITH DONOR RESTRICTIONS | \$ 27,243,147 |
| | <hr/> <hr/> |

THE PEOPLE CONCERN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2022:

| | |
|--------------------------------------------------------------|---------------------|
| Expiration of Specified Time Period: | |
| Time Restriction | \$ 1,043,685 |
| Satisfaction of Purpose Restrictions: | |
| Health and Wellness | 3,045,992 |
| Housing | 2,144,676 |
| Contributed Rent | 1,090,520 |
| Sojourn | 290,955 |
| Outreach and Engagement | 248,593 |
| COVID-19 | 146,309 |
| Diversity and Inclusion | 40,724 |
| Other Activities | 390,681 |
| | <hr/> |
| TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS | \$ 8,442,135 |

NOTE 10 - 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 2041. Future minimum commitments under existing non-cancellable leases as of June 30, 2022 are as follows:

Years Ending June 30

| | |
|--------------|----------------------|
| 2023 | \$ 2,430,453 |
| 2024 | 2,413,793 |
| 2025 | 2,488,906 |
| 2026 | 2,555,399 |
| 2027 | 1,970,447 |
| Thereafter | 13,035,587 |
| | <hr/> |
| TOTAL | \$ 24,894,585 |

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, 2022 was \$2,258,606 which is included in occupancy expense in the consolidated statement of functional expenses.

THE PEOPLE CONCERN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

NOTE 10 - COMMITMENTS AND CONTINGENCIES (continued)

(b) LEGAL PROCEEDINGS

In the ordinary course of conducting its business, The People Concern becomes involved in various legal proceedings. 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.

(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 11 - 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 December 31, 2038, 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.

THE PEOPLE CONCERN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 11 - RELATED PARTY TRANSACTIONS (continued)

Through People Co, LLC, The People Concern has entered into a lease agreement with 82nd Street Development PSH 2 LP, 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 82nd Street Development PSH 2 LP property. The master lease is dated June 29, 2021 and the lease commenced on the earlier of the issuance of the certificate of occupancy for the property or the date of the first subtenant occupying the property. The lease term ends on September 30, 2041. The People Co, LLC has two successive options to extend the term for a period of 10 years each. The expected monthly rent for the property is calculated at \$36,208.

Lease commitments related to the FlyawayHomes leases are included in Note 10(a).

In addition, during the year ended June 30, 2022, The People Concern advanced \$427,043 for construction costs related to FlyawayHomes projects. This amount is included in accounts receivable at June 30, 2022 and is expected to be reimbursed in full to The People Concern. Subsequent to year end, FlyawayHomes has repaid \$161,656 of the outstanding amount.

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 total financial assets held by The People Concern at June 30, 2022 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, 2022: | |
| Cash and Cash Equivalents | \$ 5,021,242 |
| Investments | 3,419,667 |
| Grants, Contracts, and | |
| Other Receivable (Net of Contract Advances) | 9,007,653 |
| Pledges Receivable | <u>2,593,262</u> |
| TOTAL FINANCIAL ASSETS | |
| AT JUNE 30, 2022 | 20,041,824 |
| Less Amounts Not Available to Be Used Within One Year, Due to: | |
| Donor-Imposed Restrictions: | |
| Funds Held with Purpose Restrictions | (11,492,757) |
| Pledges Receivable Restricted by Purpose and/or Time | (2,593,262) |
| Board Designations: | |
| Board Designated Reserve Fund | <u>(1,387,870)</u> |
| FINANCIAL ASSETS AVAILABLE TO | |
| MEET GENERAL EXPENDITURES | |
| WITHIN ONE YEAR | <u>\$ 4,567,935</u> |

THE PEOPLE CONCERN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 - RELATED PARTY TRANSACTIONS (continued)

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 \$8,000,000 line of credit. The People Concern also has a Board designated reserve fund of \$1,387,870 that can be drawn upon to fund unanticipated liquidity needs.

THE PEOPLE CONCERN

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2022

THE PEOPLE CONCERN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

| Federal Awards | Federal Assistance Listing Number | Contract Number | Governmental Revenue Federal | Program Expenditures from Governmental Grants |
|--------------------------------------------------------------------------------|-----------------------------------|------------------------------------|------------------------------|-----------------------------------------------|
| FEDERAL AWARDS | | | | |
| Federal Grantor/Passed Through Grantor/Program or Cluster Title | | | | |
| U.S. Department of Housing and Urban Development: | | | | |
| Pass-through Housing and Community Investment Department - City of Los Angeles | | | | |
| Community Development Block Grant - Survivors First (a) | 14.218 | C-138716 | 132,849 | 132,849 |
| Community Development Block Grant - Sojourn (a) | 14.218 | C-138911 | 131,139 | 131,139 |
| Pass-through Los Angeles Community Development Commission | | | | |
| Community Development Block Grant - Sojourn (a) | 14.218 | 111689 | 13,488 | 13,488 |
| Pass-through, City of Lancaster | | | | |
| Community Development Block Grant - Lancaster (a) | 14.218 | None | 116,800 | 116,800 |
| Pass-through Los Angeles Homeless Services Authority | | | | |
| RRH non-CoC Individual Adults (a) | 14.218 | 2021RRHIA15 | 51,171 | 51,171 |
| Rapid Rehousing Adult Program (a) | 14.218 | 2021RRHIA14 | <u>1,087,940</u> | <u>1,087,940</u> |
| Total CDBG - Entitlements Grants Cluster, 14.218 | | | 1,533,387 | 1,533,387 |
| Pass-through Los Angeles Homeless Services Authority | | | | |
| Project Homekey | 14.231 | 2021CiPHA11 | 1,717,220 | 1,717,220 |
| COVID-19 - Recovery Rehousing | 14.231 | 2020CRFRR21 | 1,345,684 | 1,345,684 |
| Problem Solving Individual Adults | 14.231 | 2021PDPSA18 | <u>15,813</u> | <u>15,813</u> |
| Total Emergency Solutions Grant Program, 14.231 | | | 3,078,717 | 3,078,717 |
| Direct Award | | | | |
| Continuum of Care Program - VFC Dual Diagnosis | 14.267 | CA0460L9D001913 | 100,920 | 100,920 |
| Pass-through Los Angeles Homeless Services Authority | | | | |
| Continuum of Care Program - Safe Haven | 14.267 | CA0527L9D002013 | 584,327 | 584,327 |
| Continuum of Care Program - Lodge SHP | 14.267 | CA0490L9D001812 CA0409L9D001913 | <u>314,099</u> | <u>314,099</u> |
| Total Continuum of Care Program, 14.267 | | | 999,346 | 999,346 |
| Total U.S. Department of Housing and Urban Development | | | <u>5,611,450</u> | <u>5,611,450</u> |

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THE PEOPLE CONCERN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

| Federal Grantor/Passed Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Contract Number | Governmental Revenue Federal | Program Expenditures from Governmental Grants |
|--------------------------------------------------------------------------------|-----------------------------------|-----------------------------|------------------------------|-----------------------------------------------|
| FEDERAL AWARDS | | | | |
| U.S. Department of Justice: | | | | |
| Pass-through California Emergency Management Agency/VOCA | | | | |
| Domestic Violence Assistance Program/VOCA - Legal Assistance Program | 16.575 | XL20 03 1197 / XL21 04 1197 | \$ 203,149 | \$ 203,149 |
| Domestic Violence Assistance Program/VOCA - Sojourn | 16.575 | DV 20 35 1197 | 255,775 | 255,775 |
| Pass-through LA County DA-California Emergency Management Agency/VOCA | | | | |
| County Victim Services (XC) Program/VOCA | 16.575 | DV10-2020/ DV10-2021 | <u>30,285</u> | <u>30,285</u> |
| Total U.S. Department of Justice, 16.575 | | | <u>489,209</u> | <u>489,209</u> |
| U.S. Department of Treasury: | | | | |
| Pass-through Los Angeles Homeless Services Authority | | | | |
| COVID-19 - Recovery Rehousing | 21.019 | 2020CRFRR21 | <u>147,870</u> | <u>147,870</u> |
| Total U.S. Department of Treasury, 21.019 | | | 147,870 | 147,870 |
| U.S. Department of Health and Human Services: | | | | |
| Pass-through Housing and Community Investment Department - City of Los Angeles | | | | |
| COVID-19 - Community Development Block Grant - DV - CARES | 93.569 | C-137374 | <u>112,559</u> | <u>112,559</u> |
| Total U.S. Department of Health and Human Service, 93.569 | | | 112,559 | 112,559 |
| U.S. Department of Homeland Security: | | | | |
| Pass-through, United Way, Emergency Food and Shelter National Board Program | | | | |
| Emergency Food and Shelter Program | 97.024 | EFSP Phase 38 | <u>205,500</u> | <u>205,500</u> |
| Total U.S. Department of Homeland Security, 97.024 | | | <u>205,500</u> | <u>205,500</u> |
| TOTAL FEDERAL AWARDS | | | <u>\$ 6,566,588</u> | <u>\$ 6,566,588</u> |

(a) Audited as a major program.

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THE PEOPLE CONCERN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

Notes to the Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2022:

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, 2022. 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, 2022

| | Federal Assistance Listing Number | Contract Number | Governmental Revenue Federal | Governmental Revenue Non-Federal | Program Expenditures from Governmental Grants |
|--------------------------------------------------------------------------------|--------------------------------------------|--------------------|------------------------------------|----------------------------------------|-----------------------------------------------------------|
| U.S. Department of Housing and Urban Development: | | | | | |
| Pass-through Housing and Community Investment Department - City of Los Angeles | | | | | |
| Community Development Block Grant | 14.218 | C-138716 | \$ 132,849 | \$ - | \$ 132,849 |
| City of Los Angeles General Funds | | C-136708 | - | 141,737 | 141,737 |
| TOTAL AWARDS | | | <u>\$ 132,849</u> | <u>\$ 141,737</u> | <u>\$ 274,586</u> |

Notes to the Schedule of Expenditures of Awards from the Los Angeles Housing and Community Investment Department for the Year Ended June 30, 2022:

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, 2021 through June 30, 2022, which is the same as the audit period.

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