PeopleFund

Consolidated Financial Statements
(With Independent Auditors' Report Thereon)

For the Years Ended December 31, 2014 and 2013

PMB Helin Donovan
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

PeopleFund
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December 31, 2014 and 2013

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PMB Helin Donovan
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
PeopleFund
Austin, TX

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of PeopleFund (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 PeopleFund as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PMB Helin Donovan
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular (OMB) A-133, *Audits of States, Local Governments and Nonprofit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2015, on our consideration of PeopleFund'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 PeopleFund's internal control over financial reporting and compliance.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

April 21, 2015
Austin, Texas

PeopleFund
Consolidated Statement of Financial Position
December 31, 2014 and 2013

	December 31, 2014	December 31, 2013
ASSETS		
Cash and cash equivalents	$ 524,242	$ 1,358,982
Restricted cash	346,178	478,923
Short-term investments	1,314,335	2,166,173
Accrued interest	71,523	47,533
Accounts receivable	544,758	311,299
Inventory	4,317	-
Prepaid expenses	13,589	12,368
Fixed assets, net	3,044,210	3,059,538
Other real estate owned	70,000	19,418
Loans receivable:		
Small Business Loan Fund	5,769,177	5,339,049
SBA Community Advantage Fund	3,292,603	1,551,378
SBA Microloan Fund	813,695	705,441
Total loans receivable	9,875,475	7,595,868
Allowance for loan losses	(473,932)	(581,691)
Loans receivable, net	9,401,543	7,014,177
TOTAL ASSETS	$ 15,334,695	$ 14,468,411
LIABILITIES		
Accounts payable and accrued expenses	$ 133,329	$ 82,219
Notes payable		
Funds provided for programs	5,919,323	5,664,700
SBA Microloan funds	783,099	891,818
Non-interest bearing debt	1,000,000	500,000
Total notes payable	7,702,422	7,056,518
Other long-term liabilities	18,524	29,078
Total liabilities	7,854,275	7,167,815
NET ASSETS		
Unrestricted	6,530,892	6,522,087
Board designated	850,000	713,054
Temporarily restricted - operating	99,528	20,000
Temporarily restricted - financing	-	45,455
Total net assets	7,480,420	7,300,596
TOTAL LIABILITIES AND NET ASSETS	$ 15,334,695	$ 14,468,411

The accompanying notes are an integral part of the consolidated financial statements.

PeopleFund
Consolidated Statments of Activities
For the Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	**Temp Restricted**	**Total**	**Unrestricted**	**Temp Restricted**	**Total**
INCOME						
Small Business Lending Program	$ 839,563	$ -	$ 839,563	$ 737,560	$ -	$ 737,560
Bad debt recovery	157,687	-	157,687	242,036	-	242,036
Investment income	48,162	-	48,162	(7,921)	-	(7,921)
NMTC income	-	-	-	487,206	-	487,206
Grants and Contracts	1,364,542	173,334	1,537,876	630,409	86,500	716,909
Donations	34,097	-	34,097	93,650	-	93,650
Other operating income	86,938	-	86,938	86,988	-	86,988
Special events	23,501	-	23,501	22,636	-	22,636
Net assets released	139,261	(139,261)	-	103,545	(103,545)	-
Income	2,693,751	34,073	2,727,824	2,396,109	(17,045)	2,379,064
EXPENSES						
Bad debt	336,341	-	336,341	310,450	-	310,450
Interest expense	136,712	-	136,712	133,150	-	133,150
Closing costs	43,821	-	43,821	70,371	-	70,371
Personnel	1,400,178	-	1,400,178	1,161,957	-	1,161,957
Office and administratiove	220,712	-	220,712	192,205	-	192,205
Depreciation and amorization	113,948	-	113,948	103,448	-	103,448
Marketing and outreach	53,332	-	53,332	46,939	-	46,939
Property taxes	171	-	171	210	-	210
Insurance	19,390	-	19,390	20,893	-	20,893
Travel	60,309	-	60,309	40,606	-	40,606
Fundraising	13,791	-	13,791	-	-	-
Professional services	46,512	-	46,512	62,758	-	62,758
Information technology	61,272	-	61,272	102,628	-	102,628
Other	41,511	-	41,511	4,420	-	4,420
Total Expenses	2,548,000	-	2,548,000	2,250,035	-	2,250,035
Change in Net Assets	145,751	34,073	179,824	146,074	(17,045)	129,029
Net assets, beginning of year	7,235,141	65,455	7,300,596	7,089,067	82,500	7,171,567
Net assets, end of year	$ 7,380,892	$ 99,528	$ 7,480,420	$ 7,235,141	$ 65,455	$ 7,300,596

The accompanying notes are an integral part of the consolidated financial statements.

PeopleFund
Consolidated Statements of Cash Flows
For Years Ended December 31, 2014 and 2013

	Years ended December 31	
	2014	**2013**
Operating Activities		
Change in net assets	$ 179,824	$ 129,029
Adjustments to change in net assets:		
Depreciation and amortization	113,948	103,448
Loss on disposal of fixed assets	32,666	4,420
Provision for loan losses	336,341	310,450
Net realized and unrealized loss on investments	26,039	37,588
Change in restricted cash	132,745	(181,600)
Change in inventory	(4,317)	-
Change in current assets	(309,252)	(321,448)
Change in current liabilities	51,110	(80,154)
Change in long-term liabilities	(10,554)	(15,943)
Net cash flows provided by (used in) operating activities	548,550	(14,210)
Investing Activities:		
Portfolio activities		
Principal issued	(5,537,157)	(3,633,360)
Principal repaid	2,813,450	3,108,926
Investment activity		
Purchase of investments	(5,135,020)	(2,869,577)
Sale, redemption or maturity of investments	5,960,819	3,028,621
Fixed asset purchases	(131,286)	(73,167)
Net cash flows used in investing activities	(2,029,194)	(438,557)
Financing Activities:		
Borrowings		
Proceeds from long-term borrowing	859,295	1,050,000
Repayments of long-term borrowings	(213,391)	(326,532)
Net cash flows provided by financing activities	645,904	723,468
Net change in cash flows	(834,740)	270,701
Cash and cash equivalents - beginning of year	1,358,982	1,088,281
Cash and cash equivalents - end of year	$ 524,242	$ 1,358,982
Cash paid for interest	$ 136,712	$ 133,150

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1-ORGANIZATION

PeopleFund is a 501(c)(3) non-profit corporation whose mission is to promote economic vitality and opportunity in low-income communities by providing financial services and technical assistance that will: create jobs, provide needed goods and services, improve the physical environment, promote diversity in entrepreneurial success, and build individual and community assets. PeopleFund provides financing and comprehensive technical assistance services to businesses, community organizations and microenterprises in lower-income communities throughout Texas.

In 2012, PeopleFund NMTC, LLC was certified by the U.S. Department of Treasury – Community Development Institution Fund (CDFI Fund) as a Community Development Entity (CDE) under its New Market Tax Credit (NMTC) program.

PeopleFund NMTC, LLC is a wholly-owned subsidiary of PeopleFund. PeopleFund NMTC, LLC was formed to further PeopleFund's activities in the NMTC program. PeopleFund is the managing member of PeopleFund NMTC, LLC which has been designated as the managing member of various affiliated entities. In accordance with operating agreements of these affiliates, profits, losses and cash flows are allocated 50.01% to the managing member and 49.99% to the administrative member.

The NMTC program is a federal program created by Congress in 2002 and managed by the Treasury Department's CDFI Fund. The NMTC program is designed to encourage private capital investment in low-income communities by providing tax credits to investors who make qualified equity investments as defined in Section 45D of the Internal Revenue Code in privately-managed investment vehicles called CDEs. The CDEs then invest the proceeds of the qualified equity investments in low-income communities. The tax credits provided to the investors total 39% of the cost of the investments and are claimed over a seven-year credit allowance period.

The subsidiaries of PeopleFund NMTC, LLC (Sub CDEs) are certified by the U.S. Treasury's Community Development Financial Institutions Funds (CDFI) as Community Development Entities. As a CDE, the Sub CDEs' primary mission is to provide loans to qualified businesses in low-income communities of the Sub CDEs' service area.

PeopleFund Advisors, LLC was formed to function as the administrative member or administrative manager of the Sub CDEs.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

PeopleFund prepares its financial statements on the accrual basis of accounting whereby revenues and expenses are recognized in the period earned or incurred.

Consolidation

The consolidated financial statements include the accounts of PeopleFund and its subsidiaries, PeopleFund NMTC, LLC and PeopleFund Advisors, LLC, collectively referred to as the Organization. All significant intercompany accounts and transactions have been eliminated in the consolidation.

In accordance with accounting guidance from the Financial Accounting Standards Board (FASB) on Recognition of Control Partnerships and Similar Entities, the presumption is established that the managing member in a limited liability company controls the entity regardless of the extent of the managing member's ownership interest. The presumption of control may be overcome if the investor

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

members have either (i) substantive participating rights or (ii) the substantive ability to dissolve the entity or otherwise remove the managing member without cause. The Organization determined that the presumption of control for the limited liability companies in which PeopleFund NMTC, LLC is a managing member were overcome as the investor members have substantive participating rights.

Accordingly, the investments and related activities of the Sub CDEs have not been consolidated with these consolidated financial statements.

Financial Statements Presentation
PeopleFund is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets
Unrestricted net assets result from operating revenues, unrestricted contributions, unrestricted investment income, less expenses incurred in operations and for fundraising and administrative functions.

Temporarily Restricted Net Assets
Temporarily restricted net assets represent resources currently available for use, but expendable only for those operating purposes specified by the donor. At December 31, 2014 and 2013, temporarily restricted net assets were restricted for use in small business lending initiatives and programs.

Permanently Restricted Net Assets
Permanently restricted net assets exist if the donor states the principal must never be used, but must be maintained, as an endowment. The Association had no permanently restricted net assets as of December 31, 2014 and 2013.

Cash and Cash Equivalents
Cash and cash equivalents consist of demand deposits and highly liquid investments with purchased maturities of less than three months. The carrying value of cash and cash equivalents approximates fair value due to the short-term nature of those financial instruments.

Investments
Investments are stated at fair value in the statement of financial position with any realized or unrealized gains and losses reported in the statement of activities.

Fixed Assets
Acquisitions of fixed assets valued at $500 or more are stated at cost if purchased or fair value if donated. Depreciation is computed using the straight-line method over the estimated useful life of the asset, generally 5 to 39 years. The Organization reviews the carrying value of fixed assets for possible impairment whenever circumstances indicate the carrying amount of an asset may not be recoverable. An impairment loss is recognized to the extent the sum of undiscounted estimated cash flows expected from the use of the asset is less than the carrying amount. No impairments have been measured to date.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue
Cost-reimbursement grants and contracts are recognized as revenue as services are performed or as costs have been incurred.

Contributions
Contributions are recorded as support when funds are awarded. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions received with donor restrictions whose restrictions are met in the same reporting period are reported as unrestricted support. Temporarily restricted net assets are reclassified to unrestricted net assets upon expiration of time restriction or when received. Unconditional promises to give due in the next year are recorded at their net realized value.

Loans Receivable and Allowance for Loan Losses
Loans receivable are stated at the principal amount outstanding. Interest income on loans is computed based on the outstanding loan balance and is accrued as it becomes receivable under the contractual terms of the note.

Allowance for loan losses is increased by provisions for loan losses charged to operating expenses and reduced by loans charged off. Allowances are determined based on management's evaluation of the collateralization of loans, historical losses, current and anticipated economic conditions, and other relevant factors. The allowance for loan losses is deemed by management to be adequate to absorb future loan losses.

Loans receivable may or may not require collateral. Collateral, if applicable, generally consist of various business and /or personal assets of the borrowers.

PeopleFund considers a loan impaired when based on current information or factors, it is probable that PeopleFund will not collect the principal and interest payments according to the loan agreement. Management considers many factors in determining whether a loan is impaired, such as payment history, value of collateral, and changes in the net income of the customer. Loans that are delinquent less than two months are generally not considered impaired, unless the customer has claimed bankruptcy or PeopleFund has received specific information concerning the loan impairment. PeopleFund reviews delinquent loans to determine impaired accounts. PeopleFund measures impairment on a loan-by-loan basis by either using the fair value of collateral less legal and administrative selling fees or the present value of expected cash flows. Substantially all of PeopleFund loans that are identified as impaired have been measured using the fair value of the collateral less legal and administrative selling fees.

Loans are placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are impaired or collection of interest is doubtful.

Interest previously accrued remains outstanding and payments received are first applied to accrued interest and then to principal.

Loans are returned to accrual status when the loan is deemed current, and the collectability of principal and interest is no longer doubtful.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreclosed Assets
Assets acquired through foreclosure, including other real estate owned ("OREO"), are held for sale and are initially recorded at fair value less estimated selling costs when acquired, establishing a new cost basis. Costs after acquisition are generally expensed. Any write-downs at the date of foreclosure are charged to the allowance for loan losses. Expenses incurred to maintain these properties, unrealized losses resulting from write-downs after the date of foreclosure, and realized gains and losses upon sale of the properties are included in other non-interest expense and other non-interest income, as appropriate. The valuation of foreclosed assets is subjective in nature and may be adjusted in the future because of changes in economic conditions. OREO totaled $70,000 and $19,418 at December 31, 2014 and 2013, respectively.

Estimates
The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Federal Income Tax
PropleFund is a nonprofit organization exempt from federal income taxes under IRS Code Section 501(c)(3). Therefore, no provision has been made for Federal income taxes in the accompanying financial statements.

PeopleFund, as the exempt owner of PeopleFund NMTC, LLC and PeopleFund Advisors, LLC has elected to treat these entities as disregarded as such the operations and finances of these entities is treated as PeopleFund's for tax and information reporting purposes. PeopleFund believes the activities of PeopleFund NMTC, LLC are aligned with PeopleFund's mission, so no tax would be due on any earnings.

The Organization's management has analyzed the tax positions taken by PeopleFund, and has concluded that as of December 31, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. PeopleFund is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company's management believes it is generally no longer subject to tax examinations relating to federal and state tax returns for three years after filing the returns

Reclassifications
Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent events
PeopleFund has evaluated events as of April 21, 2015, the date the financial statements were available to be issued.

NOTE 3- RESTRICTED CASH

As of December 31, 2014 and 2013, cash in the amount of $346,178 and $478,923 was restricted for use in specific loan funding programs. The funds originated from the Small Business Administration Microloan Program and from borrower payments of principal and interest on microloans.

NOTE 4- CONCENTRATIONS

PeopleFund's financial instruments exposed to concentrations of credit risk consist of investments which are held in brokerage accounts and cash deposits with financial institutions. PeopleFund has not experienced any losses due to this credit risk. As of December 31, 2014 and 2013, investments in excess of SIPC insurance amounted to $814,335 and $1,666,173, respectively, and cash deposits in excess of FDIC insurance amounted to $323,345 and $1,314,334, respectively.

At December 31, 2014, the amount that exceeds the SIPC coverage is protected by an insurance policy provided through the brokerage firm. The policy provides additional coverage above the SIPC limits to $1.9 million.

NOTE 5- ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31, 2014 and 2013:

	2014	2013
Grants receivable	$ 36,519	$ 67,602
NMTC accrued income	-	213,317
Short-term note receivable at 5% interest. Unpaid interest and principal balance due in full on February 15, 2015	507,239	-
Other	1,000	30,380
	$ 544,758	$ 311,299

NOTE 6- LOANS RECEIVABLE

Loans receivable consists of the following at December 31, 2014 and 2013:

	2014	2013
Small Business Loan Fund	$ 5,769,177	$ 5,339,049
SBA Community Advantage Fund	3,292,603	1,551,378
Small Business Loans	9,061,780	6,890,427
SBA Microloans	813,695	705,441
Loans receivable	$ 9,875,475	$ 7,595,868

PeopleFund had contractual agreements to loan $1,432,426 and $760,871 in funds not yet disbursed as of December 31, 2014 and 2013 respectively.

Loan Origination/Risk Management

PeopleFund has certain lending policies and procedures in place that are designed to generate loan income within an acceptable level of risk. All loans are made to borrowers of good character and integrity. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions. All of the loans are to borrowers located in Texas, with majority of the loans in Central Texas. The loan sizes range from $2,000 to $275,000 at December 31, 2014.

NOTE 6- LOANS RECEIVABLE (CONTINUED)

Small business loans are underwritten after evaluating and understanding the borrower's ability to repay the loan through operating profitably and effectively growing its business. PeopleFund's management examines current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Small business loans are primarily made based on the credit quality and cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. Most small business loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee to add strength to the credit and reduce the risk on a transaction to an acceptable level; however, some short-term loans may be made on an unsecured basis to credit worthy borrowers. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

Allowance for Loan Losses

The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. Accordingly, the methodology is based on historical loss experience by type of credit and internal risk grade, changes in the composition and volume of the portfolio, and specific loss allocations, with adjustments for current events and conditions. PeopleFund's process for determining the appropriate level of the allowance for loan losses is designed to account for credit deterioration as it occurs.

The provision for loan losses reflects management's periodic evaluation of individual loans and changes to the required allowance for specific loans, economic factors, past loan loss experience, loan quality trends, including the levels of and trends related to non-accrual loans, past due loans, potential problem loans, criticized loans and net charge-offs or recoveries, among other factors. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged-off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond PeopleFund's control, including, among other things, the performance of PeopleFund's loan portfolio, the economy, changes in interest rates, and the view of the regulatory authorities toward loan classifications.

The allowances established for probable losses on specific loans are based on a regular analysis and evaluation of problem loans. Loans are classified based on an internal credit risk grading process that evaluates, among other things: (i) current payment status (performing or non-accrual); and (ii) the underlying collateral, if any.

Specific valuation allowances are determined by analyzing the borrower's ability to repay amounts owed, collateral deficiencies, and the relative risk grade of the loan and economic conditions affecting the borrower's industry, among other things. Historical valuation allowances are calculated based on the historical loss experience of specific types of loans and the internal risk grade of such loans at the time they were charged-off.

Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

NOTE 6- LOANS RECEIVABLE (CONTINUED)

The following table details activity in the allowance for loan losses by portfolio segment for the year ended December 31, 2014 and 2013:

	Small Business Loans	SBA Microloans	Total
2014:			
Beginning balance	$ 581,691	$ -	$ 581,691
Charge-offs	(444,100)	-	(444,100)
Provisions, net of recoveries	317,448	18,893	336,341
	$ 455,039	$ 18,893	$ 473,932
2013:			
Beginning balance	$ 515,487	$ 64,542	$ 580,029
Charge-offs	(260,624)	(48,164)	(308,788)
Provisions, net of recoveries	326,828	(16,378)	310,450
	$ 581,691	$ -	$ 581,691

Credit Quality Indicators

As part of the on-going monitoring of the credit quality of PeopleFund's loan portfolio, PeopleFund utilizes a risk grading system to assign a risk grade to each of its small business loans. Accurate and timely credit grading is a primary component of an effective loan review system.

On a loan-by-loan basis, each loan is assigned to one of the following categories:

CATEGORY	Allowance Target
100 % Real Estate Secured	0%
LTV < 100, Secured Performing	0%
LTV >100, Secured Performing	5%
Secured, Non Performing	15%
Unsecured, Performing	5%
Unsecured, Non Performing	95%
To be written off	100%
Write off with anticipated 50% > recovery	50%
SBA Community Advantage	0.75%
SBA Microloan	0%
Other Loan Specific	Varies

The allowance target (as a percentage of the outstanding loan principal balance) has been determined based upon historical information and management's estimation of amount to be collected.

PeopleFund also evaluates the collateral value compared to the outstanding principal balance as well as loan performance when determining which category to place the loan.

NOTE 6- LOANS RECEIVABLE (CONTINUED)

SBA Microloans that are performing have no allowance as a Reserved Cash account of $75,000 is required for each of the Microloan funds and can be drawn upon to offset any losses.

SBA Community Advantage loans are substantially guaranteed by the SBA. As a result only the unguaranteed portion (approximately 0.75% of the outstanding principal balance) is provided for with the allowance for loan losses.

The recorded investment in financing receivables and certain credit quality indicators by type of loan as of December 31, 2014 is as follows:

	Small Business Loans	SBA Microloans	Total
Gross loan receivables balance	$ 9,061,780	$ 813,695	$ 9,875,475
Credit Quality Indicators			
Payment Activity:			
Performing	$ 8,282,183	$ 794,802	$ 9,076,985
Non-performing	779,597	18,893	798,490
	$ 9,061,780	$ 813,695	$ 9,875,475
Payment Status:			
Current	$ 8,506,258	$ 749,222	$ 9,255,480
31-60 days past due	480,903	45,580	526,483
61-90 days past due	25,840	-	25,840
91+ days past due	48,779	18,893	67,672
	$ 9,061,780	$ 813,695	$ 9,875,475
Components of the allowance:			
Aggregated risk	$ 122,798	$ -	$ 122,798
Non-aggregated risk based on collateral	28,242	-	28,242
Non-aggregated risk based on delinquencies	241,622	-	241,622
Cash reserve	62,377	18,893	81,270
	$ 455,039	$ 18,893	$ 473,932

NOTE 6- LOANS RECEIVABLE (CONTINUED)

The recorded investment in financing receivables and certain credit quality indicators by type of loan as of December 31, 2013 is as follows:

	Small Business Loans	SBA Microloans	Total
Gross loan receivables balance	$ 6,890,427	$ 705,441	$ 7,595,868
Credit Quality Indicators			
Payment Activity:			
Performing	$ 6,408,677	$ 705,441	$ 7,114,118
Non-accrual	481,750	-	481,750
	$ 6,890,427	$ 705,441	$ 7,595,868
Payment Status:			
Current	$ 6,547,864	$ 705,441	$ 7,253,305
31-60 days past due	4,164	-	4,164
61-90 days past due	22,002	-	22,002
91+ days past due	316,397	-	316,397
	$ 6,890,427	$ 705,441	$ 7,595,868
Components of the allowance:			
Aggregated risk	$ 81,326	$ -	$ 81,326
Non-aggregated risk based on collateral	57,874	-	57,874
Non-aggregated risk based on delinquencies	430,857	-	430,857
Cash reserve	11,634	-	11,634
	$ 581,691	$ -	$ 581,691

Impaired Loans
Loans are considered impaired when, based on current information and events, it is probable PeopleFund will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated on an individual loan basis. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

At December 31, 2014 and 2013, loans individually evaluated for impairment were approximately $798,490 and $481,750, respectively.

NOTE 7-INVESTMENTS

	2014	2013
Money market	$ 90,531	$ 165,794
Fixed income	346,729	1,250,802
Mutual funds	877,075	749,577
	$ 1,314,335	$ 2,166,173

Components of investment earnings:	2014	2013
Interest and dividends	$ 74,201	$ 29,667
Net realized and unrealized loss	(26,039)	(37,588)
Investment income (loss)	$ 48,162	$ (7,921)

NOTE 8- FIXED ASSETS

	2014	2013
Land	$ 379,880	$ 379,879
Building and improvements	2,797,858	2,791,916
Vehicles	91,987	-
Furniture and equipment	164,834	162,627
Software and other intangibles	34,283	55,579
	3,468,842	3,390,001
Accumulated depreciation	(424,632)	(330,463)
Total fixed assets, net	$ 3,044,210	$ 3,059,538

NOTE 9- BOARD DESIGNATED

For the years ended December 31, 2014 and 2013, the Board of Directors has designated unrestricted net assets for the following purposes:

	2014	2013
Unrestricted, undesignated net assets	$ 6,530,892	$ 6,522,087
Unrestricted, board designated, operating reserve	850,000	713,054
	$ 7,380,892	$ 7,235,141

NOTE 10- NOTES PAYABLE

	2014	2013
Notes payable to various banks, foundations, and individuals at interest rates between 1.5% and 3.25%, with various payment terms. Full principal amounts are due at maturity and maturity dates vary through June 2018.	$ 5,019,323	$ 4,764,700
Note payable to the City of Austin, at 0% interest, the entire amount forgivable on July 30, 2015 if compliance with terms of the Loan Agreement are met. In the event of default, the note begins to accrue interest at a rate of 6%. The note is collateralized by PeopleFund's building.	500,000	500,000
Note payable to the Office of the Governor, at 0% interest, $300,000 forgivable in 2017 and the remaining balance forgivable in 2018 if compliance with the terms of the Loan Agreement are met. In the event of default, the note begins to accrue interest at a rate of 6%. The note is collateralized by loans receivable made with the loan proceeds.	500,000	-
Notes payable to the Small Business Administration (SBA) currently at 0.0% to 0.88% interest, with varying repayment amounts, maturing in July 2022. The notes are collateralized by balances held in two restricted cash accounts, as well as an interest in any notes receivable funded through the SBA Microloan program.	783,099	891,818
Two notes payable to the Federal Community Development Financial Institution at interest rates between 2% and 2.11%, due fully at maturity and maturity dates vary through September 2019.	900,000	900,000
	$ 7,702,422	$ 7,056,518

Maturities:	
2015	$ 1,510,745
2016	1,714,638
2017	2,126,635
2018	1,111,868
2019	1,012,367
Thereafter	226,169
	$ 7,702,422

The carrying value of the assets pledged as collateral on notes payable are as follows:

	2014	2013
Building and improvements	$ 2,491,389	$ 2,558,587
Restricted cash	318,813	451,599
Loans receivable	813,695	705,441
	$ 3,623,897	$ 3,715,627

NOTE 11- FUNCTIONAL EXPENSES

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

For the year ended December 31, 2014:

	Program	Fundraising	General and Administrative	Total
Bad Debt Provision	$ 336,341	$ -	$ -	$ 336,341
Interest Expense	136,712	-	-	136,712
Closing Costs	43,821	-	-	43,821
Personnel	987,610	164,912	247,656	1,400,178
Office and Administrative	154,497	26,486	39,729	220,712
Depreciation and Amortization	79,764	13,674	20,510	113,948
Marketing and Outreach	43,332	4,000	6,000	53,332
Property Taxes	118	20	33	171
Insurance	13,573	2,327	3,490	19,390
Travel	42,216	7,237	10,856	60,309
Fundraising	-	13,791	-	13,791
Professional Services	38,521	3,196	4,795	46,512
Information technology	52,106	3,667	5,499	61,272
Other Expenses	41,511	-	-	41,511
2014	$ 1,970,122	$ 239,310	$ 338,568	$ 2,548,000

For the year ended December 31, 2013:

	Program	Fundraising	General and Administrative	Total
Bad Debt Provision	$ 310,450	$ -	$ -	$ 310,450
Interest Expense	133,150	-	-	133,150
Closing Costs	70,371	-	-	70,371
Personnel	795,366	158,142	208,449	1,161,957
Office and Administrative	130,700	24,987	36,518	192,205
Depreciation and Amortization	70,345	13,448	19,655	103,448
Marketing and Outreach	38,179	8,183	577	46,939
Insurance	14,207	2,716	3,970	20,893
Travel	39,542	-	1,064	40,606
Professional Services	50,784	6,943	5,031	62,758
Information technology	96,642	2,432	3,554	102,628
Other Expenses	4,535	28	67	4,630
2013	$ 1,754,271	$ 216,879	$ 278,885	$ 2,250,035

NOTE 12- LEASES

PeopleFund leases office space to various tenants under non-cancellable commercial leases. During 2014 and 2013, rental income related under these leases totaled $84,874 and $82,259, respectively.

At December 31, 2014, the minimum rentals to be received were $69,246 in 2015.

PeopleFund leases equipment under various non cancellable leases. At December 31, 2014, minimum lease payments under the noncancellable leases are as follows:

Year	Amount
2015	$ 28,194
2016	20,604
2017	2,526
	$ 51,324

NOTE 13- FAIR VALUE DISCLOSURES

The following table presents the assets and liabilities that are measured at fair value on a recurring basis by level within the fair value hierarchy as reported on the consolidated balance sheets at December 31. As required by U.S. generally accepted accounting principles, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

2014		**Fair Value Measurements at Reporting Date Using:**		
	Total	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Money market funds (cash equivalents)	$ 90,531	$ 90,531	$ -	$ -
Fixed income	346,729	346,729	-	-
Mutual funds	877,075	877,075	-	-
Total assets	$ 1,314,335	$ 1,314,335	$ -	$ -

2013		**Fair Value Measurements at Reporting Date Using:**		
	Total	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Money market funds (cash equivalents)	$ 165,794	$ 165,794	$ -	$ -
Fixed income	1,250,803	1,250,803	-	-
Mutual funds	749,576	749,576		
Total assets	$ 2,166,173	$ 2,166,173	$ -	$ -

NOTE 14- NMTC PROGRAM

In 2012, PeopleFund NMTC, LLC was certified by the U.S. Department of Treasury – Community Development Finance Institution Fund (CDFI Fund) as a Community Development Entity (CDE) under its New Market Tax Credit program. As of December 31, 2014, PeopleFund NMTC, LLC has received and deployed $15,000,000 of tax credit allocation.

During 2014, no PeopleFund revenue was retained by TBC PeopleFund NMTC, LLC, the 49.99% owner of PeopleFund NMTC, LLC.

NOTE 15- DEFINED CONTRIBUTION PLAN

PeopleFund provides a 401(k) plan to all full time employees that have completed at least three months of service. PeopleFund provides a 50% match on employee contributions up to 8% of salary. Total company matching contributions during the years ended December 31, 2014 and 2013 were $31,740 and $11,791, respectively.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
PeopleFund
Austin, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of PeopleFund, which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon April 21, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

PMB Helin Donovan
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

Purpose of this Report

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

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

Austin, Texas
April 21, 2015

PMB Helin Donovan
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *OMB CIRCULAR A-133*

To the Board of Directors
PeopleFund
Austin, Texas

Report on Compliance for Each Major Program

We have audited the compliance of PeopleFund with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB*) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of PeopleFund's major federal programs for the year ended December 31, 2014. PeopleFund's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance with each of PeopleFund's major federal programs based on our audit of the specific compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PeopleFund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each major program. However, our audit does not provide a legal determination of PeopleFund's compliance.

Opinion on Each Major Federal Program

In our opinion, PeopleFund complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

PMB Helin Donovan
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

Report on Internal Control Over Compliance

Management of PeopleFund is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered PeopleFund's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PeopleFund's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be *material weaknesses* or *significant deficiencies*. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

PMB Helin Donovan, LLP

PMB Helin Donovan, LLP

Austin, Texas
April 21, 2015

PeopleFund
Schedule of Expenditures of Federal Awards
December 31, 2014

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	CFDA	Agency of Pass-through Number	Federal Expenditures
U.S. Small Business Administration			
Microloan Grant	59.046	3503300EZ0065	$ 35,571
Microloan Grant	59.046	4503300EZ0110	51,959
Microloan Program	59.046	4619435004	361,802
Microloan Program	59.046	5298545005	421,297
Total U.S. Small Business Administration			870,629
U.S. Department of Housing and Urban Development			
Community Development Block Grant (CDBG) - Entitlement Grants Cluster			
Pass Through from the City of Austin:			
U.S. Department of Housing and Urban Development/ARRA-CDBG-R loan agreement	14.253		500,000
U.S. Department of Housing and Urban Development/CDBG Small Business Development Services	14.218	PA100000027	125,000
Total CDBG - Entitlement Grants Cluster			625,000
Total U.S. Department of Housing and Urban Development			625,000
Total Federal Expenditures			$ 1,495,629

See accompanying notes to the schedule of expenditures of federal awards.

PEOPLEFUND
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the activity of all federal loan programs administered by PeopleFund. The Organization is defined in Note 2 of PeopleFund's basic consolidated financial statements.

(b) Basis of Presentation

The Schedule presents total federal awards expended for each individual program in accordance with the OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

(c) Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented on the accrual basis of accounting, which is defined in Note 2 of PeopleFund's basic consolidated financial statements.

(2) Relationship to Federal Financial Reports

The amounts reported in the financial reports agree with the amounts reported in the accompanying Schedule which is prepared on the basis explained in Note 2 of PeopleFund's consolidated financial statements.

PeopleFund
Schedule of Findings and Questioned Costs
Year Ended December 31, 2014

Section I - Summary of Auditors' Results

A Financial Statements

Type of auditors' report issued:	**Unqualified opinion**
Internal control over financial reporting:	
• Material weakness(es) identified?	**No**
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	**None reported**
Noncompliance material to financial statements noted?	**No**

B. Federal Awards

Internal control over compliance:	
• Material weakness(es) identified?	**No**
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	**None reported**
Type of auditors' report issued on compliance for major programs:	**Unqualified**
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	**No**

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
59.046	U.S. Small Business Administration
Cluster	Community Development Block Grant – Entitlement Grants Cluster

Dollar threshold used to distinguish programs:	**$300,000**
Auditee qualified as low-risk auditee:	**No**

PeopleFund
Schedule of Findings and Questioned Costs
Year Ended December 31, 2014

Section II - Financial Statement Findings

N/A

Section III – Federal Award Findings and Questioned Costs

N/A

Section IV– Summary Schedule of Prior Audit Findings

N/A