PeopleFund

Consolidated Financial Statements

(With Independent Auditor's Report Thereon)

As of and for the Years
Ended December 31, 2016 and 2015

PMB Helin Donovan

PeopleFund

Index to Consolidated Financial Statements and Supplementary Information

December 31, 2016 and 2015

	Page
Independent Auditor's Report	1
Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6
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*	22
Independent Auditors' Report on compliance for each major federal program and report on internal control over compliance in accordance with *The Uniform Guidance*	24
Schedule of Expenditures of Federal Awards	26
Notes to Schedule of Expenditures of Federal Awards	27
Schedule of Findings and Questioned Costs	28

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Independent Auditor's 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, 2016 and 2015, 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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, 2016 and 2015, 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.

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 *Title 2 U.S. Code of Federal Regulations (CFR) 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements to Federal Awards (Uniform Guidance)*, 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 May 11, 2017, 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

May 11, 2017
Austin, Texas

PeopleFund
Consolidated Statements of Financial Position
December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	$ 2,849,576	$ 773,429
Restricted cash	1,503,615	1,578,931
Short-term investments	3,870,480	1,840,888
Accrued interest	99,529	108,287
Accounts receivable	732,232	740,490
Prepaid expenses	30,994	9,811
Fixed assets, net	2,938,516	2,950,253
Other real estate owned	762,324	-
Other assets	33,077	-
Loans receivable	18,540,710	15,217,776
Allowance for loan losses	(928,123)	(1,042,958)
Loans receivable, net	17,612,587	14,174,818
TOTAL ASSETS	$ 30,432,930	$ 22,176,907
LIABILITIES		
Accounts payable and accrued expenses	$ 267,875	$ 241,588
Notes payable		
Funds provided for programs	17,445,883	11,660,905
SBA Microloan funds	1,041,382	1,173,915
Non-interest bearing debt	-	500,000
Total notes payable	18,487,265	13,334,820
Other long-term liabilities	77,457	14,679
Total liabilities	18,832,597	13,591,087
NET ASSETS		
Unrestricted	9,735,223	7,447,644
Unrestricted- board designated	1,200,000	950,000
Temporarily restricted - operating	517,693	111,074
Temporarily restricted - financing	147,417	77,102
Total net assets	11,600,333	8,585,820
TOTAL LIABILITIES AND NET ASSETS	$ 30,432,930	$ 22,176,907

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

PeopleFund
Consolidated Statements of Activities
For the Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	**Temp Restricted**	**Total**	**Unrestricted**	**Temp Restricted**	**Total**
INCOME						
Small Business Lending Program	$ 1,451,692	$ -	$ 1,451,692	$ 1,163,147	$ -	$ 1,163,147
Bad debt recovery	323,012	-	323,012	208,979	-	208,979
Investment income (loss)	129,591	-	129,591	(23,447)	-	(23,447)
Grants and Contracts	1,675,289	962,998	2,638,287	1,210,064	254,935	1,464,999
Donations	1,755,343	-	1,755,343	38,520	-	38,520
Other operating income	163,089	-	163,089	64,656	-	64,656
Special events	40,809	-	40,809	19,627	-	19,627
Gain on acquisition	1,103,647	-	1,103,647	1,463,631	-	1,463,631
Net assets released	486,064	(486,064)	-	166,287	(166,287)	-
Income	7,128,536	476,934	7,605,470	4,311,464	88,648	4,400,112
EXPENSES						
Personnel	2,183,842	-	2,183,842	1,663,076	-	1,663,076
Bad debt	784,235	-	784,235	686,080	-	686,080
Interest expense	373,991	-	373,991	229,031	-	229,031
Closing costs	151,992	-	151,992	59,335	-	59,335
Office and administrative	309,407	-	309,407	243,731	-	243,731
Depreciation and amortization	121,650	-	121,650	115,639	-	115,639
Marketing and outreach	58,378	-	58,378	44,710	-	44,710
Insurance	43,595	-	43,595	32,035	-	32,035
Travel	71,296	-	71,296	54,430	-	54,430
Fundraising	20,686	-	20,686	14,215	-	14,215
Professional services	169,166	-	169,166	50,939	-	50,939
Information technology	92,480	-	92,480	82,557	-	82,557
Other	39,927	-	39,927	3,127	-	3,127
Total Expenses	4,420,645	-	4,420,645	3,278,905	-	3,278,905
Change in Net Assets	2,707,891	476,934	3,184,825	1,032,559	88,648	1,121,207
Net assets, beginning of year	8,397,644	188,176	8,585,820	7,380,892	99,528	7,480,420
Transfers	(170,312)	-	(170,312)	(15,807)	-	(15,807)
Net assets, end of year	$ 10,935,223	$ 665,110	$ 11,600,333	$ 8,397,644	$ 188,176	$ 8,585,820

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

PeopleFund
Consolidated Statements of Cash Flows
For Years Ended December 31, 2016 and 2015

	2016	2015
Operating Activities		
Change in net assets	$ 3,184,825	$ 1,121,207
Adjustments to change in net assets:		
Depreciation and amortization	121,650	115,639
Loss on disposal of fixed assets	5,657	2,443
Forgiveness of debt	(500,000)	(500,000)
Gain on acquisition	(1,103,647)	(1,463,631)
Non cash contributions of stock	(1,626,115)	-
Provision for loan losses	784,235	686,080
(Depreciation) and appreciation in investments	(4,914)	75,738
Change in restricted cash	75,316	(717,241)
Change in current assets	195,969	(76,214)
Change in non-current assets	(1,017,757)	-
Change in current liabilities	24,831	75,309
Change in long-term liabilities	5,950	(7,800)
Net cash flows provided by (used in) operating activities	146,000	(688,470)
Investing Activities:		
Portfolio activity		
Principal issued	(7,289,965)	(8,526,917)
Principal repaid	4,698,842	4,864,999
Cash from acquisition	1,179,385	-
Investment activity		
Purchase of investments	(10,046,181)	(10,503,761)
Sale, redemption or maturity of investments	8,021,503	9,901,470
Fixed asset purchases	(115,570)	(18,725)
Net cash flows used in investing activities	(3,551,986)	(4,282,934)
Financing Activities:		
Borrowings		
Proceeds from long-term borrowing	8,458,488	6,323,382
Repayments of long-term borrowings	(2,806,043)	(1,086,984)
Reimbursements from restricted cash	(170,312)	(15,807)
Net cash flows provided by financing activities	5,482,133	5,220,591
Net change in cash flows	2,076,147	249,187
Cash and cash equivalents - beginning of year	773,429	524,242
Cash and cash equivalents - end of year	$ 2,849,576	$ 773,429
Cash paid for interest	$ 348,462	$ 243,827

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.

On December 15, 2015, PeopleFund acquired Southern Dallas Development Corporation (SDDC) through a statutory merger certified by the State of Texas. SDDC is a 501(c)(3) non-profit Community Development Financial Institution whose mission is to stimulate economic growth and encourage financial literacy in southern Dallas through strategic business financing. The acquisition allows for the benefit of both organizations as PeopleFund will expand its presence in South Dallas and SDDC will continue as a going concern as a wholly owned subsidiary of PeopleFund. This acquisition fits into PeopleFund's vision to become the premier business lender in Texas.

During 2016, Peoplefund acquired through purchase or donation 100% of the outstanding shares of Southern Dallas Development Fund (SDDF). SDDF was a community development organization organized on August 7, 1991 as a for-profit corporation.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
PeopleFund prepares its consolidated 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; PeopleFund Advisors, LLC; and Southern Dallas Development Corporation, 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 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, 2016 and 2015, 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. PeopleFund had no permanently restricted net assets as of December 31, 2016 and 2015.

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 change in fair value 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.

Revenue Recognition
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 net realizable value. 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.

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 $762,324 and $0 at December 31, 2016 and 2015, 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, 2016 and 2015, 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.

Recently issued pronouncements
In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This ASU requires a lessee to recognize on its balance sheet a right-of-use asset and a lease liability under most operating leases. This ASU is effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the effects that the adoption of this ASU 2016-02 will have on its financial position, results of operations, or cash flows.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities* (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which decreases the number of net asset classes from three to two. The new classes will be net assets with donor restrictions and net assets without donor restrictions. The standard also:

- Requires reporting of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions and enhances disclosures about underwater endowments.

- Continues to allow preparers to choose between the direct method and indirect method for presenting operating cash flows, eliminating the requirement for those who use the direct method to perform reconciliation with the indirect method.

- Requires a not-for-profit to provide in the notes qualitative information on how it manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a not-for-profit's financial assets at the balance sheet date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statement and/or in the notes.

- Requires reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature.

The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application, and early application of the standard is permitted. The Organization has elected not to early adopt this ASU as of December 31, 2016.

Subsequent events
PeopleFund has evaluated events as of May 11, 2017, the date the financial statements were available to be issued. There were no subsequent events as of this date.

NOTE 3- RESTRICTED CASH

As of December 31, 2016 and 2015, cash in the amount of $1,503,615 and $1,578,931, respectively, was restricted for use in specific loan funding programs.

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, 2016 and 2015, cash deposits in excess of FDIC insurance amounted to $2,632,819 and $2,209,866, respectively.

At December 31, 2016, 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, 2016 and 2015:

	2016	2015
Grants receivable	$ 504,688	$ 134,464
Short-term notes receivable	-	530,600
Other	227,544	75,426
	$ 732,232	$ 740,490

NOTE 6- LOANS RECEIVABLE

Loans receivable consists of the following at December 31, 2016 and 2015:

	2016	2015
Small Business Loan Fund	$ 7,725,460	$ 7,119,246
SBA Community Advantage Fund	7,397,973	5,281,543
Non-Profit CDFI Loan Fund	1,000,000	-
CDBG Loans	820,412	1,412,103
SDSBLP Loans	512,113	729,431
SBA Microloans	1,084,752	675,453
Loans receivable	$ 18,540,710	$ 15,217,776

PeopleFund had contractual agreements to loan $2,803,433 and $1,219,413 in funds not yet disbursed as of December 31, 2016 and 2015, 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 roughly $1,000 to $350,000 at December 31, 2016.

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.

The following table details activity in the allowance for loan losses by portfolio segment for the year ended December 31, 2016 and 2015:

	Small Business Loans	SBA Microloans	Total
2016			
Beginning balance	$ 1,032,191	$ 10,767	$ 1,042,958
Charge-offs	(975,833)	-	(975,833)
Provisions, net of recoveries	785,783	75,215	860,998
	842,141	85,982	928,123
2015			
Beginning balance	455,039	18,893	$ 473,932
Charge-offs	(504,979)	-	(504,979)
Provisions, net of recoveries	1,082,131	(8,126)	1,074,005
	$ 1,032,191	$ 10,767	$ 1,042,958

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
Performing- Goldman Sachs	5%
Performing- Community Advantage	75%
Performing- Community Advantage Secondary Market	3%
Performing <100% LTV and Microloans & Cap Access	0%
Performing >100% LTV	5%
Watchlist- Community Advantage	5%
Watchlist< 100% LTV	5%
Watchlist> 100% LTV	25%
Non-performing- Community Advantage <= $150K	15%
Non-performing- Community Advantage > $150K	25%
Non-performing< 100% LTV Real Estate Secured	5%
Non-performing< 100% LTV Non-Real Estate Secured	25%
Non-performing> 100% LTV	75%

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.

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

SBA Community Advantage (CA) 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. CA loans sold on the secondary market have an additional 3% provided for with the allowance for loan losses. PeopleFund is in compliance with the loan loss reserve requirements for the CA Pilot Program.

The recorded investment in financing receivables and certain credit quality indicators by type of loan as of December 31, 2016 is as follows:

	Small Business Loans	SBA Microloans	Total
Gross loan receivables balance	$ 17,455,957	$ 1,084,753	$ 18,540,710
Credit Quality Indicators			
Payment Activity:			
Performing	17,241,552	1,004,728	18,246,280
Non-performing	214,405	80,025	294,430
	$ 17,455,957	$ 1,084,753	$ 18,540,710
Payment Status:			
Current	$ 17,059,246	$ 1,084,753	$ 18,143,999
31-60 days past due	396,561	-	396,561
61-90 days past due	150	-	150
91+ days past due	-	-	-
	$ 17,455,957	$ 1,084,753	$ 18,540,710
Components of the allowance:			
Aggregated risk	$ 353,878	$ -	$ 353,878
Non-aggregated risk based on collateral	163,672	-	163,672
Non-aggregated risk based on delinquencies	147,649	-	147,649
Cash reserve	176,942	85,982	262,924
	$ 842,141	$ 85,982	$ 928,123

The recorded investment in financing receivables and certain credit quality indicators by type of loan as of December 31, 2015 is as follows:

	Small Business Loans	SBA Microloans	Total
Gross loan receivables balance	$ 14,542,323	$ 675,453	$ 15,217,776
Credit Quality Indicators			
Payment Activity:			
Performing	13,666,776	675,453	14,342,229
Non-performing	875,547	-	875,547
	$ 14,542,323	$ 675,453	$ 15,217,776
Payment Status:			
Current	$ 14,034,101	$ 675,453	$ 14,709,554
31-60 days past due	183,139	-	183,139
61-90 days past due	-	-	-
91+ days past due	325,083	-	325,083
	$ 14,542,323	$ 675,453	$ 15,217,776
Components of the allowance:			
Aggregated risk	$ 254,116	$ -	$ 254,116
Non-aggregated risk based on collateral	308,170	-	308,170
Non-aggregated risk based on delinquencies	376,867	-	308,170
Cash reserve	93,038	10,767	103,805
	$ 1,032,191	$ 10,767	$ 1,042,958

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, 2016 and 2015, loans individually evaluated for impairment were approximately $874,492 and $979,276, respectively.

NOTE 7- INVESTMENTS

	2016	2015
Money market	$ 24,022	$ 1
Fixed income	-	145,646
Mutual funds	3,846,458	1,695,241
	$ 3,870,480	$ 1,840,888

Components of investment earnings:

	2016	2015
Interest and dividends	$ 124,678	$ 68,443
Net realized and unrealized	4,913	(91,890)
Investment income (loss)	$ 129,591	$ (23,447)

NOTE 8- FIXED ASSETS

	2016	2015
Land	$ 379,880	$ 379,880
Building and improvements	2,797,858	2,797,858
Vehicles	145,837	91,987
Furniture and equipment	222,867	171,775
Software and other intangibles	18,868	92,602
Leasehold improvements	-	35,000
	3,565,310	3,569,102
Accumulated depreciation	(626,794)	(618,849)
Total fixed assets, net	$ 2,938,516	$ 2,950,253

Depreciation for the years ended December 31, 2016 and 2015, were $121,650 and $115,639, respectively.

NOTE 9- NOTES PAYABLE

	2016	2015
Notes payable to various banks, foundations, and individuals at interest rates between 1.5% and 4.25%, with various payment terms. Full principal amounts are due at maturity and maturity dates vary through February 2025.	$ 15,695,882	$ 10,360,905
Note payable to the Office of the Governor, with an interest rate at 150 basis points above LIBOR. The note is collateralized by loans receivable made with the loan proceeds. Full prinicpal amount due at maturity in October 2018.	550,000	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 2025. The notes are collateralized by balances held in three restricted cash accounts, as well as an interest in any notes receivable funded through the SBA Microloan program.	1,041,383	1,173,915
Three notes payable to the Federal Community Development Financial Institution at interest rates between 0% and 2.11%, due fully at maturity and maturity dates vary through September 2019.	1,200,000	1,300,000
	$ 18,487,265	$ 13,334,820

Maturities of notes payable are as follows:

Maturities:	
2017	$ 1,967,709
2018	3,566,484
2019	6,002,983
2020	2,110,480
2021	1,600,205
Thereafter	3,239,404
	$ 18,487,265

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

	2016	2015
Restricted cash	$ 772,651	$ 1,066,634
Loans receivable	3,893,738	2,729,358
	$ 4,666,389	$ 3,795,992

NOTE 10- 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, 2016:

	Program	Fundraising	General and Administrative	Total
Personnel	$ 1,637,881	$ 152,869	$ 393,092	$ 2,183,842
Bad debt	784,235	-	-	784,235
Interest expense	373,991	-	-	373,991
Closing costs	151,992	-	-	151,992
Office and administrative	232,056	21,658	55,693	309,407
Depreciation and amortization	91,238	8,515	21,897	121,650
Marketing and outreach	52,145	1,745	4,488	58,378
Insurance	32,696	3,052	7,847	43,595
Travel	53,472	4,991	12,833	71,296
Fundraising	-	20,686	-	20,686
Professional services	143,621	7,153	18,392	169,166
Information technology	69,360	6,474	16,646	92,480
Other	-	-	39,927	39,927
	$ 3,622,687	$ 227,143	$ 570,815	$ 4,420,645

For the year ended December 31, 2015:

	Program	Fundraising	General and Administrative	Total
Personnel	$ 1,244,060	$ 128,797	$ 290,219	$ 1,663,076
Bad debt	686,080	-	-	686,080
Interest expense	229,031	-	-	229,031
Closing costs	59,335	-	-	59,335
Office and administrative	180,361	19,498	43,872	243,731
Depreciation and amortization	85,573	9,251	20,815	115,639
Marketing and outreach	38,817	1,813	4,080	44,710
Insurance	23,706	2,563	5,766	32,035
Travel	40,278	4,354	9,798	54,430
Fundraising	-	14,215	-	14,215
Professional services	44,288	1,988	4,663	50,939
Information technology	61,092	6,605	14,860	82,557
Other	506	55	2,566	3,127
	$ 2,693,127	$ 189,139	$ 396,639	$ 3,278,905

NOTE 11- UNRESTRICTED NET ASSET TRANSFERS

The transfers and adjustments in unrestricted net assets, as presented on the statement of activities consist primarily of approved fund releases for billings submitted to the City of Dallas for grant and loan programs management fees.

	2016	2015
Releases from CDBG restricted funds for approved remittances	$ (217,863)	$ (15,807)
Release of funds when restrictions were met	47,551	-
Total	$ (170,312)	$ (15,807)

NOTE 12- LEASES

PeopleFund leases office space to various tenants under non-cancellable commercial leases. During 2016 and 2015, rental income related under these leases totaled $41,036 and $58,571, respectively.

At December 31, 2016, the minimum rentals to be received were $20,593.

PeopleFund leases equipment under various non cancellable leases. At December 31, 2016, minimum lease payments under the noncancellable leases are as follows:

Year	Amount
2017	$ 39,086
2018	25,128
2019	18,000
2020	18,000
2021	18,000
Thereafter	4,500
	$ 122,714

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.

December 31, 2016	**Fair Value Measurements at Reporting Date Using:**			
Assets:	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Money market funds (cash equivalents)	$ 24,022	$ 24,022	$ -	$ -
Fixed income	-	-	-	-
Mutual funds	3,846,458	3,846,458	-	-
Total assets	$ 3,870,480	$ 3,870,480	$ -	$ -

December 31, 2015	**Fair Value Measurements at Reporting Date Using:**			
Assets:	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Money market funds (cash equivalents)	$ 1	$ 1	$ -	$ -
Fixed income	145,647	145,647	-	-
Mutual funds	1,695,240	1,695,240	-	-
Total assets	$ 1,840,888	$ 1,840,888	$ -	$ -

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 (NMTC). In November 2016, PeopleFund was awarded a $30 million New Market Tax Credit (NMTC) allocation to support community development in low income areas throughout Texas. It is anticipated that this award will be fully deployed during 2017. As of December 31, 2016, PeopleFund NMTC, LLC has received and deployed $15,000,000 of tax credit allocation.

During 2016, 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, 2016 and 2015 were $46,569 and $38,586, respectively.

NOTE 16- SOUTHRN DALLAS DEVELOPMENT FUND

The Company acquired the majority of the outstanding shares of Southern Dallas Development Fund ("SDDF") during 2016. Effective December 2016 the entity was dissolved and the outstanding equity was transferred to PeopleFund. The acquisition resulted in the following additions to the consolidated statement of financial position on December 9, 2016, the date of SDDF's dissolution:

Cash	$	1,452,017
Accrued interest receivable		4,940
Accounts receivable		195,196
Other real estate owned		171,573
Loans receivable, at fair value		1,236,952
Accounts payable		(1,456)
Net amount acquired	$	3,059,222

The result of the acquisition is the recognition of a gain of $1,103,647 on the consolidated financial statements for the period ending December 31, 2016.

The total amount recorded as a credit was as follows:

Cash paid	$	272,632
Gain on acquisition		1,103,647
Contribution of stock		1,626,115
Unclaimed stock		56,828
Total acquisition cost	$	3,059,222

PeopleFund acquired Southern Dallas Development Corporation (SDDC) through a statutory merger certified by the State of Texas on December 15, 2015. Pursuant to the terms of the Plan of Merger, PeopleFund transferred no consideration for recognition of the following on December 15, 2015:

Cash	$	31,113
Restricted cash		515,512
Accrued interest receivable		14,483
Accounts receivable		32,591
Fixed assets		5,400
Loans receivable, at fair value		1,797,437
Total assets recognized		2,396,536
Accounts payable		32,950
Long-term liabilities		3,955
Notes payable		896,000
Total liabilities assumed		932,905
Gain on acquisition	$	1,463,631

The result of the acquisition is the recognition of a gain of $1,463,631 on the consolidated financial statements for the year ending December 31, 2015.

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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
PeopleFund
Austin, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of PeopleFund, a nonprofit organization, which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related consolidated notes to the financial statements, and have issued our report thereon dated March 11, 2017.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the 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 the PeopleFund's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 the PeopleFund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

March 11, 2017
Austin, Texas

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORADNCE WITH *THE UNIFORM GUIDANCE*

To the Board of Directors
PeopleFund:

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) Compliance Supplement* that could have a direct and material effect on PeopleFund's major federal programs for the year ended December 31, 2016. PeopleFunds' major federal programs is identified on the summary of Auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance).Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs 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 for PeopleFund's major federal programs. 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 the major federal program for the year ended December 31, 2016.

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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PeopleFund's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

May 11, 2017
Austin, Texas

PeopleFund
Schedule of Expenditures of Federal Awards
December 31, 2016

Federal Grantor/Pass-through Grantor/Program Title	CFDA #	Agency or Pass-through Number	Subrecipient	Federal Expenditures
U.S. Small Business Administration				
Microloan Grant	59.046	5503300EZ0113	$ -	$ 72,438
Microloan Grant	59.046	6503300EZ0069	-	86,236
Prime Grant	59.050	5503300EZ0163	-	61,609
Prime Grant	59.050	6503300EZ0163	-	19,949
Microloan Program	59.046	4619435004	-	254,090
Microloan Program	59.046	5298545005	-	310,186
Microloan Program	59.046	7510295010	-	477,106
Total U.S. Small Business Administration			-	1,281,614
U.S. Department of Housing and Urban Development				
Community Development Block Grant (CDBG) - Entitlement Grants Cluster				
Passed through City of Austin:				
CDBG Small Business Development Services - Cash Award	14.218	PA100000027	-	150,000
			-	150,000
Passed through City of Dallas:				
CDBG Small Business Development Services - Cash Award	14.218	13.1289	-	217,863
			-	217,863
CDBG Small Business Development Services - Non cash Award	14.218	13.1289	-	820,412
			-	820,412
Total Community Development Entitlement Cluster			-	1,038,275
Total U.S. Department of Housing and Urban Development			-	1,188,275
Total Federal Expenditures			$ -	$ 2,469,889

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

PEOPLEFUND
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

(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 1 of PeopleFund's consolidated financial statements.

(b) Basis of Presentation

The Schedule presents total federal awards expended for each individual program in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance). Federal award program titles are presented as entitled in the Catalog of Federal Domestic Assistance (CFDA).

(c) Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(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.

(3) Indirect cost rates

The Organization is subject to negotiated indirect cost rates of 10% therefore, the Organization is using the 10% de minimus indirect cost rate as allowable under the Uniform Guidance, Section 414.

(4) Subsequent Events

PeopleFund's management has evaluated subsequent events through May 11, 2017, the date the report was available to be issued.

PeopleFund
Schedule of Findings and Questioned Costs
December 31, 2016

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 2 CFR 200.516(a)?	**No**
Identification of major federal programs:	

CFDA Number	Name of Federal Program or Cluster
Cluster	Community Development Block Grant (CDBG- Entitlement Grants Cluster)

Dollar threshold used to distinguish between Type A and Type B programs:	**$750,000**
Auditee qualified as low-risk auditee:	**Yes**

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