PeopleFund

Report of Independent Auditor and
Consolidated Financial Statements

December 31, 2018 and 2017

pmb

PEOPLEFUND
December 31, 2018 and 2017

Table of Contents

	Page
Report of Independent Auditor	1-2
Consolidated Statements of Financial Position for the Years Ended December 31, 2018 and 2017	3
Consolidated Statements of Activities for the Years Ended December 31, 2018 and 2017	4
Consolidated Statements of Functional Expenses for the Years Ended December 31, 2018 and 2017	5
Consolidated Statements of Cash Flows for the Years Ended December 31, 2018 and 2017	6
Notes to the Consolidated Financial Statements	7
Report of Independent Auditor 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*	21
Report of Independent Auditor on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required in Accordance with the Uniform Guidance	23
Schedule of Expenditures of Federal Awards for the Year Ended December 31, 2018	25
Notes to the Schedule of Expenditures of Federal Awards for the Year Ended December 31, 2018	26
Schedule of Findings and Questioned Costs December 31, 2018	27

pmb

Report of Independent Auditor

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, 2018 and 2017, and the related consolidated statements of activities, functional expenses, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2018 and 2017, and the consolidated changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PMB Helin Donovan, LLP
PO Box 202260
Austin, TX 78720
pmbhd.com

pmb

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 consolidated 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 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with Government Auditing Standards, we have also issued our report dated April 22, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

April 22, 2019
Austin, Texas

PeopleFund

Consolidated Statements Financial Position

for the Years Ended December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 1,276,070	$ 3,878,699
Short-term investments	7,350,212	6,309,195
Accrued interest	159,604	117,645
Accounts receivable	424,248	1,459,506
Prepaid expenses	118,139	54,575
Loans receivable, net of the allowance for loan losses of $1,078,822 and $999,276, respectively	25,327,448	21,452,733
Other assets	22,487	24,495
Reserved cash and other assets	3,715,161	2,613,587
Other real estate owned (OREO)	-	267,324
Fixed assets, net	3,232,733	3,313,801
TOTAL ASSETS	$ 41,626,102	$ 39,491,560
LIABILITIES		
Accounts payable	$ 408,719	$ 389,827
Accrued expenses	183,837	180,724
Notes payable		
Funds provided for programs	25,183,098	23,885,883
SBA Microloan funds	2,986,882	2,226,203
Total notes payable	28,169,980	26,112,086
Other long-term liabilities	74,942	72,963
Total liabilities	28,837,478	26,755,600
NET ASSETS		
Without donor restrictions:		
Undesignated	10,609,911	10,530,778
Board designated	1,700,000	1,700,000
Total without donor restrictions	12,309,911	12,230,778
With donor restrictions	478,713	505,182
Total net assets	12,788,624	12,735,960
TOTAL LIABILITIES AND NET ASSETS	$ 41,626,102	$ 39,491,560

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

PeopleFund
Consolidated Statements of Activities
For the Years Ended December 31, 2018 and 2017

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
INCOME			
Small Business Lending Program	$ 2,023,271	$ -	$ 2,023,271
Bad debt recovery	429,515	-	429,515
Investment income (loss), net	(158,982)	-	(158,982)
NMTC income	417,892	-	417,892
Grants and Contracts	1,448,388	1,170,000	2,618,388
Donations	35,086	-	35,086
Other operating income	189,023	-	189,023
Special events	26,122	-	26,122
Gain (loss) on disposal of assets	78,345	-	78,345
Net assets released	1,196,469	(1,196,469)	-
Total Income	5,685,129	(26,469)	5,658,660
EXPENSES			
Lending and Business Assistance	4,937,708	-	4,937,708
Fundraising	161,692	-	161,692
General and Administrative	436,589	-	436,589
Total Expenses	5,535,989	-	5,535,989
Transfers	(70,007)	-	(70,007)
Change in Net Assets	149,140	(26,469)	122,671
Net assets, beginning of year	12,230,778	505,182	12,735,960
Net assets, end of year	$ 12,309,911	$ 478,713	$ 12,788,624

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
INCOME			
Small Business Lending Program	$ 1,767,479	$ -	$ 1,767,479
Bad debt recovery	483,018	-	483,018
Investment income (loss), net	236,263	-	236,263
NMTC income	746,039	-	746,039
Grants and Contracts	2,176,104	1,568,233	3,744,337
Donations	45,129	-	45,129
Other operating income	56,224	-	56,224
Special events	19,356	-	19,356
Gain (loss) on disposal of assets	(17,461)	-	(17,461)
Net assets released	1,728,161	(1,728,161)	-
Total Income	7,240,312	(159,928)	7,080,384
EXPENSES			
Lending and Business Assistance	4,941,712	-	4,941,712
Fundraising	259,949	-	259,949
General and Administrative	648,937	-	648,937
Total Expenses	5,850,598	-	5,850,598
Transfers	(94,159)	-	(94,159)
Change in Net Assets	1,389,714	(159,928)	1,229,786
Net assets, beginning of year	10,935,223	665,110	11,600,333
Net assets, end of year	$ 12,230,778	$ 505,182	$ 12,735,960

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

PeopleFund
Consolidated Statements of Functional Expenses
For the Years Ended December 31, 2018 and 2017

	2018			
	Lending and Business Assistance	Fundraising	General and Administrative	Total
Personnel	$ 2,354,487	$ 110,799	$ 304,698	$ 2,769,984
Provision for loan losses	705,718	-	-	705,718
Interest expense	582,831	-	-	582,831
Closing costs	282,281	-	-	282,281
Office and administrative	291,373	13,712	37,707	342,792
Depreciation and amortization	127,588	6,004	16,511	150,103
Marketing and outreach	44,790	1,355	3,726	49,871
Insurance	64,209	3,022	8,309	75,540
Travel	95,444	4,491	12,352	112,287
Fundraising	-	11,991	-	11,991
Professional services	216,992	2,224	6,116	225,332
Information technology	98,921	4,655	12,801	116,377
Property taxes	73,074	3,439	9,457	85,970
Other	-	-	24,912	24,912
Total Expenses	$ 4,937,708	$ 161,692	$ 436,589	$ 5,535,989

	2017			
	Lending and Business Assistance	Fundraising	General and Administrative	Total
Personnel	$ 1,987,343	$ 185,487	$ 476,963	$ 2,649,793
Provision for loan losses	919,333	-	-	919,333
Interest expense	506,214	-	-	506,214
Closing costs	527,390	-	-	527,390
Office and administrative	269,098	25,116	64,583	358,797
Depreciation and amortization	101,919	9,512	24,460	135,891
Marketing and outreach	40,387	2,001	5,146	47,534
Insurance	34,543	3,224	8,290	46,057
Travel	63,486	5,925	15,236	84,647
Fundraising	-	9,105	-	9,105
Professional services	209,971	4,479	11,516	225,966
Information technology	161,781	15,100	38,827	215,708
Property taxes	120,247	-	-	120,247
Other	-	-	3,916	3,916
Total Expenses	$ 4,941,712	$ 259,949	$ 648,937	$ 5,850,598

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

PeopleFund

Consolidated Statements of Cash Flows

For Years Ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	$ 122,671	$ 1,229,786
Adjustments to the change in net assets:		
Depreciation and amortization	150,103	135,891
Donation of fixed assets	-	(410,000)
Gain on disposition of assets	(78,345)	-
Provision for loan losses	705,718	919,333
Depreciation (appreciation) in investments	339,501	(43,478)
Change in current assets	(1,101,574)	(768,971)
Change in non-current assets	2,008	503,582
Change in reserved cash and other assets	929,735	(1,109,972)
Change in current liabilities	22,005	302,676
Change in long-term liabilities	1,979	(4,494)
Net cash flows provided by operating activities	1,093,801	754,353
Investing Activities:		
Portfolio activity		
Principal issued	(11,192,648)	(9,815,746)
Principal repaid	6,612,215	5,056,267
Investment activity		
Purchase of investments	(26,135,302)	(9,878,598)
Sale, redemption or maturity of investments	24,754,784	7,483,361
Fixed asset purchases	(69,172)	(101,176)
Proceeds from sale of OREO	345,806	-
Net cash flows used in investing activities	(5,684,317)	(7,255,892)
Financing Activities:		
Borrowings		
Proceeds from long-term borrowing	3,747,671	12,741,740
Repayments of long-term borrowings	(1,689,777)	(5,116,919)
Reimbursements from reserved cash	(70,007)	(94,159)
Net cash flows provided by financing activities	1,987,887	7,530,662
Net change in cash flows	(2,602,629)	1,029,123
Cash and cash equivalents - beginning of year	3,878,699	2,849,576
Cash and cash equivalents - end of year	$ 1,276,070	$ 3,878,699
Cash paid for interest	$ 562,178	$ 483,382
Supplemental schedule of non-cash financing and investing activities		
Donation of fixed assets	$ -	$ 410,000
Retirement of fixed assets	$ 6,117	$ -

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 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; 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 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 substantial 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 two classes of net assets: net assets without donor restrictions and, net assets with donor restrictions as follows:

Net Assets without Donor Restrictions - Net assets that are not subject to stipulations. Net assets without donor stipulations may be used for any purpose or designated for specific purposes by action of the Board of Directors of PeopleFund.

Net Assets with Donor Restrictions - Net assets representing resources currently available for use, but expendable only for those operating purposes specified by the donor. At December 31, 2018 and 2017, net assets with donor restriction of $478,713 and $505,182, respectively, were those net assets restricted for use in small business lending initiatives and programs.

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. There were no events that occurred during the years ended December 31, 2018 or 2017 that would indicate an impairment of the Organization's fixed assets.

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 with or without donor restriction 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. 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 loan collateral, 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 $0 and $267,324 at December 31, 2018 and 2017, respectively. The assets were sold in 2018 for a gain on the sale of $78,345.

Functional Allocation of Expenses
The expense information contained in the consolidated statements of activities is presented on a functional basis as (1) lending and business assistance, (2) fundraising and (3) general and administrative. Accordingly, certain expenses are allocated between functional categories based on management's estimates. Expenses that are specifically identifiable to a function are allocated entirely to that function. Expenses that are not specifically identifiable to a function are allocated based upon management's estimate of time and resources devoted to the function. The significant expenses that are allocated on the basis of time and effort include personnel, office and administration, depreciation and amortization, marketing and outreach, insurance, travel, professional services, information technology, and property taxes.

Use of Estimates
The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated. Significant estimates include the allowance for uncollectable loans reserve, provision for loan losses and impairment, the estimated useful lives of property and equipment, and the valuation of investments.

Federal Income Tax
PeopleFund 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, 2018 and 2017, 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 Organization'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.

Fair Value of Financial Instruments
Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The framework for measuring fair value provides a fair value hierarchy which requires classification based on observable and unobservable inputs when measuring fair value. The fair value hierarchy distinguishes between assumptions based on market data (observable inputs) and an entity's own assumptions (unobservable inputs).

The hierarchy consists of three levels:

- Level one — Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Plan can access at the measurement date;
- Level two — Inputs to the valuation methodology other than quoted prices included with in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level three — Inputs to the valuation methodology that are unobservable inputs for the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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. For private companies, the 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 ASU 2016-02 will have on its financial position, results of operations, or cash flows.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2014-09, *Revenue Recognition* (Topic 606). This ASU provides a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and the timing of revenue recognition. In July 2015, the FASB deferred the effective date of the new revenue standard by one year resulting in the new revenue standard being effective for fiscal years and interim periods beginning after December 15, 2018 and allowing entities to adopt one year earlier if they so elect. The new standard allows for two alternative implementation methods: the use of either (1) full retrospective application to each prior reporting period presented or (2) modified retrospective application in which the cumulative effect of initially applying the revenue standard is recognized as an adjustment to the opening balance of retained earnings in the period of adoption. PeopleFund plans to adopt the new standard for the fiscal year ending December 31, 2019 but has not yet determined the method by which the standard will be adopted. PeopleFund is currently evaluating the impact of the standard on its consolidated financial statements.

Other recently issued ASU's were assessed and determined to be either not applicable or are expected to have minimal impact on its financial position and results of operations.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation. The Organization reclassified $17,461 representing a loss from the disposal of certain assets from the consolidated statement of functional expenses to other income on the consolidated statement of activities. These reclassifications had no effect on the previously reported change in net assets for the year ended December 31, 2017.

Management's Review
PeopleFund evaluates events that occur subsequent to the statement of financial position date of periodic reports, but before the financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which PeopleFund's financial statements are available for issue. For the financial statements, as of and for the year ending December 31, 2018, this date was April 22, 2019.

NOTE 3- LIQUIDITY

PeopleFund's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	$	1,276,070
Short term investments		7,350,213
Accrued interest		159,604
Accounts receivable		424,248
Current portion of loans receivable		5,494,505
	$	14,704,640

None of the above financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. Receivable balances consisting of grants receivable are subject to implied time restrictions but are expected to be collected within one year. The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet five months of normal operating expenses, which are, on average, approximately $1.7 million. As part of its liquidity management, PeopleFund invests cash in excess of daily requirements in various short-term investments including cash and mutual funds.

Total unrestricted net assets as of December 31, 2018 were approximately $12.3 million, of which $1.7 million has been set aside by the Board of Directors as a reserve should PeopleFund require additional cash flow. These designated funds are available should a downturn in the future or other unforeseen economic conditions impact the Organization in a negative way. This is ample capital to fund the anticipated growth of the portfolio in the preceding year as well as any unanticipated debt agreements that are not renewed. Additionally, the Organization has approximately $2,050,000 of undrawn capital available if there is an unforeseen need for cash.

NOTE 4- RESERVED CASH AND OTHER ASSETS

As of December 31, 2018, and 2017, cash in the amount of $3,715,161 and $2,613,587, respectively, was held in reserve to lend to microloan borrowers and to satisfy loan loss reserve requirements related to the microloan and community advantage programs.

NOTE 5- 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, 2018, and 2017, cash deposits in excess of FDIC insurance amounted to $3,829,511 and $5,552,342, respectively.

NOTE 6- ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31, 2018 and 2017:

		2018		2017
Grants receivable	$	314,120	$	890,535
Other		110,128		568,971
	$	424,248	$	1,459,506

NOTE 7- LOANS RECEIVABLE

Loans receivable consists of the following at December 31, 2018 and 2017:

		2018		2017
Small Business Loan Fund	$	6,734,485	$	5,919,603
SBA Community Advantage		15,841,589		12,605,644
Non-Profit CDFI Loan Fund		496,839		1,000,000
CDBG Loans		550,920		687,976
SDSBLP Loans		241,204		366,654
SBA Microloans		2,541,233		1,872,132
Loans receivable	$	26,406,270	$	22,452,009

PeopleFund had contractual agreements to loan $3,124,992 and $3,642,146 in funds not yet disbursed as of December 31, 2018 and 2017, 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. The loan sizes range from roughly $1,000 to $350,000 at December 31, 2018.

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, 2018 and 2017

	Small Business Loans	SBA Community Advantage	SBA Microloans	Total
2018				
Beginning balance	$ 606,573	$ 334,858	$ 57,845	$ 999,276
Charge-offs	(77,621)	(456,264)	(77,513)	(611,398)
Provisions, net of recoveries	90,193	468,917	131,834	690,944
	$ 619,145	$ 347,511	$ 112,166	$ 1,078,822

2017	Small Business Loans	SBA Community Advantage	SBA Microloans	Total
Beginning balance	$ 665,199	$ 176,942	$ 85,982	$ 928,123
Charge-offs	(325,826)	(480,905)	(41,449)	(848,180)
Provisions, net of recoveries	267,200	638,821	13,312	919,333
	$ 606,573	$ 334,858	$ 57,845	$ 999,276

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- Community Advantage	0.75%
Performing- Community Advantage Secondary Market	3.00%
Performing <100% LTV and Microloans & Cap Access	0.00%
Performing >100% LTV	5.00%
Watchlist- Community Advantage	5.00%
Watchlist< 100% LTV	5.00%
Watchlist> 100% LTV	25.00%
Non-performing- Community Advantage <= $150K	15.00%
Non-performing- Community Advantage > $150K	25.00%
Non-performing< 100% LTV Real Estate Secured	5.00%
Non-performing< 100% LTV Non-Real Estate Secured	25.00%
Non-performing> 100% LTV	75.00%

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 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 Program.

The recorded investment in financing receivables and certain credit quality indicators by type of loan as of December 31, 2018 and 2017 is as follows:

2018	**Small Business Loans**	**SBA Community Advantage**	**SBA Microloans**	**Total**
Gross loan receivables balance	$ 8,023,448	$ 15,841,589	$ 2,541,233	$ 26,406,270
Credit Quality Indicators				
Payment Activity:				
Performing	7,932,179	15,781,589	2,477,339	26,191,107
Non-performing	91,269	60,000	63,894	215,163
	$ 8,023,448	$ 15,841,589	$ 2,541,233	$ 26,406,270
Payment Status:				
Current	$ 7,845,987	$ 15,682,778	$ 2,454,662	$ 25,983,427
31-60 days past due	63,165	50,664	20,065	133,894
61-90 days past due	23,027	48,147	2,612	73,786
91+ days past due	91,269	60,000	63,894	215,163
	$ 8,023,448	$ 15,841,589	$ 2,541,233	$ 26,406,270
Components of the allowance:				
Aggregated risk	$ 224,503	$ 95,473	$ -	$ 319,976
Non-aggregated risk based on collateral	154,741	-	-	154,741
Non-aggregated risk based on delinquencies	239,901	65,701	-	305,602
Cash reserve	-	186,337	112,166	298,503
	$ 619,145	$ 347,511	$ 112,166	$ 1,078,822

2017	**Small Business Loans**	**SBA Community Advantage**	**SBA Microloans**	**Total**
Gross loan receivables balance	$ 7,974,233	$ 12,605,644	$ 1,872,132	$ 22,452,009
Credit Quality Indicators				
Payment Activity:				
Performing	7,974,233	12,605,644	1,872,132	22,452,009
Non-performing	-	-	-	-
	$ 7,974,233	$ 12,605,644	$ 1,872,132	$ 22,452,009
Payment Status:				
Current	$ 7,897,227	$ 12,366,730	$ 1,834,077	$ 22,098,034
31-60 days past due	77,006	225,948	38,055	341,009
61-90 days past due	-	12,966	-	12,966
91+ days past due	-	-	-	-
	$ 7,974,233	$ 12,605,644	$ 1,872,132	$ 22,452,009
Components of the allowance:				
Aggregated risk	$ 348,497	$ 71,187	$ -	$ 419,684
Non-aggregated risk based on collateral	217,006	-	-	217,006
Non-aggregated risk based on delinquencies	41,070	107,185	-	148,255
Cash reserve	-	156,486	57,845	214,331
	$ 606,573	$ 334,858	$ 57,845	$ 999,276

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, 2018 and 2017, loans individually evaluated for impairment were approximately $3,073,450 and $2,259,138, respectively.

NOTE 8- INVESTMENTS

	2018	2017
Money market	$ 1,201,279	$ 23,978
Mutual funds	2,141,459	6,285,217
Equity securities	723,019	-
Fixed income	3,284,455	-
	$ 7,350,212	$ 6,309,195

Components of investment earnings:

	2018	2017
Interest and dividends	$ 180,519	$ 192,785
Net realized and unrealized gain	(339,501)	43,478
Investment income	$ (158,982)	$ 236,263

NOTE 9- FIXED ASSETS

	2018	2017
Land	$ 379,880	$ 379,880
Building and improvements	3,257,904	3,218,900
Vehicles	188,337	188,337
Furniture and equipment	292,777	268,863
Software and other intangibles	36,125	36,125
	4,155,023	4,092,105
Accumulated depreciation	(922,290)	(778,304)
Total fixed assets, net	$ 3,232,733	$ 3,313,801

Depreciation for the years ended December 31, 2018 and 2017, was $150,103 and $135,891, respectively.

NOTE 10- NOTES PAYABLE

		2018		2017
Notes payable to various banks, foundations, and individuals at interest rates between 0.0% and 3.75%, with various payment terms. Full principal amounts are due at maturity and maturity dates vary through May 2028.	$	24,583,098	$	22,785,883
Notes payable to the Small Business Administration (SBA) currently at 0.0% to 0.88% interest, with varying repayment amounts, maturing in August 2028. The notes are collateralized by balances held in six restricted cash accounts, as well as an interest in notes receivable funded through the SBA Microloan program.		2,986,882		2,226,203
Two notes payable to the Federal Community Development Financial Institution at interest rates between 0% and 2.00%, due fully at maturity and maturity dates vary through September 2019.		600,000		1,100,000
	$	28,169,980	$	26,112,086

Maturities of notes payable are as follows:

2019	$	6,312,762
2020		5,116,233
2021		3,346,255
2022		4,319,433
2023		1,937,027
Thereafter		7,138,270
	$	28,169,980

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

		2018		2017
Reserved cash	$	2,079,871	$	1,406,959
Loans receivable		2,541,233		1,872,132
	$	4,621,104	$	3,279,091

The Organization is subject to certain covenants, restrictions, and reporting requirements with respect to its notes payable. Management has reviewed these covenants, restrictions and reporting requirements and believes PeopleFund is in compliance as of December 31, 2018.

NOTE 11- NET ASSET TRANSFERS

The transfers and adjustments in 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.

		2018		2017
Releases from CDBG restricted funds for approved remittances	$	(101,733)	$	(125,894)
Return of loan payments made under program		31,726		31,735
Total	$	(70,007)	$	(94,159)

NOTE 12- COMMITMENTS AND CONTINGENCIES

Lease Commitments
The Organization leases office space to various tenants under non-cancellable commercial leases. During 2018 and 2017, rental income related under these leases totaled $67,776 and $43,964, respectively. At December 31, 2018, the minimum rentals to be received were $158,154.

The Organization also leases certain equipment under various non-cancellable operating leases. At December 31, 2018, minimum lease payments under these non-cancellable operating leases are as follows:

Year	Amount
2019	$ 44,031
2020	27,230
2021	25,450
2022	11,637
2023	2,645
	$ 110,993

Litigation
The Organization is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operation, and liquidity.

NOTE 13- FAIR VALUE DISCLOSURES

PeopleFund's investments are carried at their fair value. The carrying amounts of PeopleFund's other financial instruments, which include cash and cash equivalents, accrued interest, accounts receivable, prepaid expenses and other assets, accounts payable and accrued liabilities, approximate their fair values due to their short maturities.

The following is a description of the valuation methodologies used for assets measured at fair value:

- *Money market funds* - valued based on quoted market prices in active markets
- *Mutual funds* - valued based on quoted market prices in active markets
- *Equity securities* - valued based on quoted market prices in active markets
- *Fixed income funds* - valued based on quoted market prices in active markets

There were no Level 2 or 3 investments held by PeopleFund during the years ended December 31, 2018 and 2017. Because of the inherent uncertainty of these valuations, the estimated values may differ from the actual fair values that may or may not be ultimately realized.

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 statements of financial position at December 31st:

2018		**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)	$ 1,201,279	$ 1,201,279	$ -	$ -
Mutual funds	2,141,459	2,141,459	-	-
Equity securities	723,019	723,019	-	-
Fixed income funds	3,284,455	3,284,455	-	-
Total investments	$ 7,350,212	$ 7,350,212	$ -	$ -

2017		**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)	$ 23,978	$ 23,978	$ -	$ -
Mutual funds	6,285,217	6,285,217	-	-
Total investments	$ 6,309,195	$ 6,309,195	$ -	$ -

NOTE 14- NMTC PROGRAM

In 2013, the Organization was initially awarded a $15 million NMTC allocation to support community development in low income areas throughout Texas. As of December 31, 2018, PeopleFund NMTC, LLC has received $75,000,000 of tax credit allocation.

NOTE 15- DEFINED CONTRIBUTION PLAN

The Organization provides a 401(k) plan to all full-time employees that have completed at least three months of service. The Organization provides a 50% match on employee contributions up to 8% of salary. Total matching contributions during the years ended December 31, 2018 and 2017 were $61,297 and $53,166, respectively.

NOTE 16- SUBSEQUENT EVENTS

In March 2019, the Organization received contingent approval from the SBA to merge with another non-profit in Texas that specializes in SBA 504 lending. The merger is anticipated to close during the second quarter pending final approval from the State of Texas and Board of Directors. The merger is not anticipated to have a material impact on the assets or liabilities of PeopleFund. Upon consummation of the merger, PeopleFund will remain the successor entity.

In March 2019, the Organization entered into a note payable with a bank for $2,100,000 at an interest rate of 3% with interest due quarterly and full principal due upon maturity in March 2029.

pmb

REPORT OF INDEPENDENT AUDITOR 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

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 (the "Organization"), a nonprofit organization, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audits of the consolidated financial statements, we considered the Organization'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's consolidated 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*.

pmb

Purpose of this Report

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

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

April 22, 2019
Austin, Texas

REPORT OF INDEPENDENT AUDITOR ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORADNCE WITH *UNIFORM GUIDANCE*

To the Board of Directors of:
PeopleFund

Report on Compliance for Each Major Program

We have audited the compliance of PeopleFund (the "Organization") 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 the Organization's major federal programs for the year ended December 31, 2018. The Organization's major federal programs are 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 the Organization'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 the Organization'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 the Organization's major federal programs. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization has 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, 2018.

PMB Helin Donovan, LLP
PO Box 202260
Austin, TX 78720
pmbhd.com

Report on Internal Control over Compliance

Management of the Organization 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 the Organization'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 the Organization'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

April 22, 2019
Austin, Texas

PeopleFund
Schedule of Expenditures of Federal Awards
for the Year Ended December 31, 2018

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	8503300Ez0064	$ -	$ 194,650
Microloan Grant	59.046	7503300EZ0122	-	86,209
Microloan Program	59.046	9267775010	-	350,000
Microloan Program	59.046	9568925000	-	1,000,000
Microloan Program	59.046	4619435004	-	199,525
Microloan Program	59.046	5298545005	-	254,630
Microloan Program	59.046	7510295010	-	422,048
Microloan Program	59.046	2826207001	-	1,000,000
Total Microloan Program			-	3,507,062
Prime Grant	59.050	7503300EZ0169	-	93,581
Total Prime Grant			-	93,581
Total U.S. Small Business Administration			-	3,600,643
U.S. Department of the Treasury, Community Development Financial Institutions Fund				
CDFI Financial Assistance- Loans	21.02		-	700,000
Total U.S. Department of the Treasury, Community Development Financial Institutions Fund			-	700,000
U.S. Department of Housing and Urban Development				
Community Development Block Grant - 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	-	85,203
CDBG Small Business Development Services - Non cash Award	14.218	13.1289	-	550,920
			-	636,123
Total Community Development Block Grant- Entitlement Grants Cluster			-	786,123
Total U.S. Department of Housing and Urban Development			-	786,123
Total Federal Expenditures			$ -	$ 5,086,766

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

(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 the Organization's consolidated financial statements.

As of December 31, 2018, the Organization has $2,986,883 and $600,000 in loans outstanding under the SBA Microloan and U.S. Department of Treasury CDFI Financial Assistance loan programs, respectively.

(3) Indirect cost rates

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

(4) Subsequent Events

The Organization's management has evaluated subsequent events through April 22, 2019, the date the report was available to be issued.

PeopleFund
Schedule of Findings and Questioned Costs
December 31, 2018

Section I - Summary of Auditor's Results

A Financial Statements

Type of auditor's report issued:	**Unmodified 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:	**Unmodified**
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
59.046	U.S. Small Business Administration Microloan Program

Dollar threshold used to distinguish between Type A and Type B programs:	**$750,000**
Auditee qualified as high-risk auditee:	**No**

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