PeopleFund

Consolidated Financial Report
December 31, 2024

Contents

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Independent Auditor's Report

To the Board of Directors
PeopleFund

Report on the Audits of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of PeopleFund and its subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2024 and 2023 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2024 and 2023 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the Organization and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

To the Board of Directors
PeopleFund

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2025 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, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of PeopleFund's 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.

Plante & Moran, PLLC

April 21, 2025

Consolidated Statement of Financial Position

December 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	$ 2,813,734	$ 5,325,857
Restricted cash	4,800,754	-
Investments	14,714,298	4,498,843
Accounts receivable	2,036,424	1,864,570
Loans and notes receivable - Net	13,940,729	12,341,095
Accrued interest	600,428	548,937
Prepaid expenses and other current assets	235,066	175,597
Total current assets	39,141,433	24,754,899
Restricted Cash - Long term	2,987,079	2,788,015
Property and Equipment - Net	3,633,512	3,703,777
Investments in NMTC Sub-CDEs	19,104	16,454
Right-of-use Operating Lease Assets	131,376	231,815
Loans Receivable - Long term - Net	51,728,360	43,764,089
Other Assets	8,305	10,194
Total noncurrent assets	58,507,736	50,514,344
Total assets	**$ 97,649,169**	**$ 75,269,243**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,023,457	$ 673,621
Deferred revenue	1,750,000	562,639
Accrued liabilities and other	605,785	477,719
Current portion of notes payable	8,641,003	9,385,306
Total current liabilities	12,020,245	11,099,285
Noncurrent Notes Payable	54,479,283	42,753,557
Lease Liabilities - Operating	131,376	231,815
Total liabilities	66,630,904	54,084,657
Net Assets		
Without donor restrictions	29,986,717	19,482,773
With donor restrictions	1,031,548	1,701,813
Total net assets	31,018,265	21,184,586
Total liabilities and net assets	**$ 97,649,169**	**$ 75,269,243**

Consolidated Statement of Activities and Changes in Net Assets

Years Ended December 31, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Small business lending program	$ 4,959,400	$ -	$ 4,959,400	$ 4,265,430	$ -	$ 4,265,430
NMTC income	1,576,300	-	1,576,300	1,578,150	-	1,578,150
504 income	333,452	-	333,452	352,824	-	352,824
Investment income - Net	224,264	-	224,264	521,957	-	521,957
Government contracts	1,563,074	-	1,563,074	1,111,493	-	1,111,493
Other operating income	76,281	-	76,281	94,520	-	94,520
Contributions	12,891,389	1,978,889	14,870,278	489,177	3,222,845	3,712,022
Interest income	75,100	-	75,100	21,428	-	21,428
Net assets released from restrictions	2,649,154	(2,649,154)	-	3,304,136	(3,304,136)	-
Total revenue, gains, and other support	24,348,414	(670,265)	23,678,149	11,739,115	(81,291)	11,657,824
Expenses						
Lending and business assistance	11,561,098	-	11,561,098	8,977,271	-	8,977,271
Support services:						
General and administrative	1,688,955	-	1,688,955	1,572,831	-	1,572,831
Fundraising	594,417	-	594,417	626,779	-	626,779
Total support services	2,283,372	-	2,283,372	2,199,610	-	2,199,610
Total expenses	13,844,470	-	13,844,470	11,176,881	-	11,176,881
Increase (Decrease) in Net Assets	10,503,944	(670,265)	9,833,679	562,234	(81,291)	480,943
Net Assets - Beginning of year	19,482,773	1,701,813	21,184,586	18,920,539	1,783,104	20,703,643
Net Assets - End of year	**$ 29,986,717**	**$ 1,031,548**	**$ 31,018,265**	**$ 19,482,773**	**$ 1,701,813**	**$ 21,184,586**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2024

	Program Services	Support Services			
	Lending and Business Assistance	General and Administrative	Fundraising	Total	Total
Personnel	$ 4,912,502	$ 964,018	$ 336,193	$ 1,300,211	$ 6,212,713
Provision for credit losses	3,497,828	-	-	-	3,497,828
Interest expense	1,155,091	-	-	-	1,155,091
Closing costs	124,182	-	-	-	124,182
Office and administration	315,380	61,889	21,583	83,472	398,852
Depreciation and amortization	332,324	65,214	22,743	87,957	420,281
Marketing and outreach	-	125,557	-	125,557	125,557
Insurance	75,598	14,835	5,174	20,009	95,607
Travel	74,710	14,661	5,113	19,774	94,484
Professional services	101,816	172,634	170,996	343,630	445,446
Information technology	420,380	82,495	28,769	111,264	531,644
Property taxes	56,194	11,027	3,846	14,873	71,067
Nonoperating grants to others	495,093	-	-	-	495,093
Other	-	176,625	-	176,625	176,625
Total functional expenses	**$ 11,561,098**	**$ 1,688,955**	**$ 594,417**	**$ 2,283,372**	**$ 13,844,470**

Consolidated Statement of Functional Expenses

Year Ended December 31, 2023

	Program Services	Support Services			
	Lending and Business Assistance	General and Administrative	Fundraising	Total	Total
Personnel	$ 4,498,183	$ 1,037,379	$ 322,033	$ 1,359,412	$ 5,857,595
Provision for loan losses	1,533,314	-	-	-	1,533,314
Interest expense	1,040,431	-	-	-	1,040,431
Closing costs	131,862	-	-	-	131,862
Office and administrative	301,791	69,600	21,606	91,206	392,997
Depreciation and amortization	248,933	57,409	17,822	75,231	324,164
Marketing and outreach	-	133,538	-	133,538	133,538
Insurance	66,996	15,451	4,796	20,247	87,243
Travel	79,051	18,231	5,659	23,890	102,941
Professional services	264,471	164,486	231,041	395,527	659,998
Information technology	279,013	64,346	19,975	84,321	363,334
Property taxes	53,730	12,391	3,847	16,238	69,968
Nonoperating grants to others	479,496	-	-	-	479,496
Total functional expenses	**$ 8,977,271**	**$ 1,572,831**	**$ 626,779**	**$ 2,199,610**	**$ 11,176,881**

Consolidated Statement of Cash Flows

Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Increase in net assets	$ 9,833,679	$ 480,943
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	420,281	324,164
Provision for credit losses	3,497,828	1,533,314
Gain in investments	(224,264)	(521,957)
Changes in operating assets and liabilities that (used) provided cash:		
Accrued interest	(49,602)	(105,890)
Accounts receivable	(171,854)	2,282,087
Prepaid expenses	(8,911)	(99,060)
Accounts payable	349,836	(46,881)
Accrued expenses	130,471	257,501
Deferred revenue	1,187,361	562,639
Other long-term liabilities	(2,405)	(2,455)
Net cash provided by operating activities	14,962,420	4,664,405
Cash Flows from Investing Activities		
Purchase of property and equipment	(350,016)	(691,590)
Purchases of investments	(12,991,191)	(591,052)
Proceeds from sales and maturities of investments	3,000,000	1,591,053
Net issuance and collections of loans receivable	(13,114,941)	(9,333,135)
Net cash used in investing activities	(23,456,148)	(9,024,724)
Cash Flows from Financing Activities		
Proceeds from notes payable	15,918,708	7,543,264
Repayments of notes payable	(4,937,285)	(3,525,520)
Net cash provided by financing activities	10,981,423	4,017,744
Net Increase (Decrease) in Cash	2,487,695	(342,575)
Cash - Beginning of year	8,113,872	8,456,447
Cash - End of year	**$ 10,601,567**	**$ 8,113,872**
Consolidated Statement of Financial Position Classification of Cash		
Cash and cash equivalents	$ 2,813,734	$ 5,325,857
Restricted cash	7,787,833	2,788,015
Total cash	**$ 10,601,567**	**$ 8,113,872**
Supplemental Cash Flow Information - Cash paid for interest	$ 1,098,041	$ 973,213

See notes to consolidated financial statements.

Note 1 - Nature of Business

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

PeopleFund is a Community Development Financial Institution, certified by the Community Development Financial Institution Fund of the U.S. Department of the Treasury. The Organization is also a Small Business Administration lender operating in the SBA Microloan program, SBA Community Advantage program, and SBA 504 program. In addition, the Organization operates several financial and technical assistance programs with cities, municipalities, foundations, and community partners across Texas since 1994.

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

PeopleFund NMTC, LLC is a wholly owned subsidiary of PeopleFund and was formed to further PeopleFund's activities in low- and moderate-income communities. PeopleFund is the managing member of PeopleFund NMTC, LLC, which is the managing member of various affiliated entities.

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 Community Development Entities. The CDEs then invest the proceeds of the qualified equity investments in low-income communities. The tax credits provided to the investors total 39 percent of the cost of the investments and are claimed over a seven-year credit allowance period.

Since 2012 and through December 31, 2024, PeopleFund had received and deployed $240 million in Qualified Equity Investments (QEIs). In 2022, PeopleFund was awarded a new $45 million allocation, which was fully deployed in 2023. In 2023, PeopleFund has been awarded a new $45 million allocation, which was fully deployed in 2024.

PeopleFund Advisors, LLC primarily serves as the administrative member of the subsidiary CDEs, each of which will provide investment capital for low-income communities or low-income persons in the target service area, as well as serving as the managing member or nonmember manager of one or more investment entities.

In 2021, PeopleFund established Veteran Loan Fund LLC (VLF or Veteran Loan Fund) as part of a collaborative effort with other CDFIs across the country. The purpose of the fund is to consolidate efforts and increase support for CDFIs that provide affordable financial and technical assistance to veterans who do not have access to those resources from mainstream financial institutions. VLF was established as a wholly owned subsidiary of PeopleFund, its managing member, and is governed by a board of managers that includes executives from CDFIs that are members of the fund.

Military veterans are positioned to be successful entrepreneurs thanks to their training and skills, and a significant percentage of them aspire to attain financial independence through business ownership. However, they face barriers to accessing capital and support due to frequent moves and overseas deployments. Providing veterans with affordable capital to grow their businesses supports their success in civilian life and generates ripple effects through the entire economy.

Note 1 - Nature of Business (Continued)

As of December 31, 2023, the Veteran Loan Fund had raised and fully deployed its first $15 million round of financing. Loans made by the Veteran Loan Fund are included under the small business loan portfolio and the interparty transactions to and from PeopleFund and Veteran Loan Fund had been eliminated in the consolidation process.

In 2024, PeopleFund established Veteran Loan Fund II LLC (VLF2 or Veteran Loan Fund 2) to support the second round of funding. VLF2 has the same legal and management structure as the VLF. VLF2 is a wholly owned subsidiary of PeopleFund, its managing member, and is governed by a board of managers that includes executives from CDFIs that are members of the fund.

As of December 31, 2024, the Veteran Loan Fund second round had raised and fully deployed a $15 million round of financing, $7.5 million was deployed through the VLF2 entity, and the remaining $7.5 million went directly from a financial institution to the CDFI's and is not consolidated in the VLF accounting. Loans made by the Veteran Loan Fund 2 are included under the small business loan portfolio and the interparty transactions to and from PeopleFund and Veteran Loan Fund 2 have been eliminated in the consolidation process.

Note 2 - Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of the Organization have been prepared on the basis of generally accepted accounting principles (GAAP).

Principles of Consolidation

The consolidated financial statements include the accounts of PeopleFund and its subsidiaries, PeopleFund NMTC, LLC; PeopleFund Advisors, LLC; Veteran Loan Fund LLC; and Veteran Loan Fund II LLC, collectively referred to as the "Organization" or PeopleFund. All material intercompany accounts and transactions have been eliminated in 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses.

Note 2 - Significant Accounting Policies (Continued)

Cash Equivalents

The Organization considers all investments with an original maturity of three months or less when purchased to be cash equivalents. The total amount of bank deposits (checking and savings accounts) that was uninsured by the FDIC at years ended 2024 and 2023 was approximately $9,300,000 and $6,800,000, respectively.

Restricted Cash

As of December 31, 2024 and 2023, cash in the amount of $2,608,477 and $2,788,015, 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 and as collateral on notes payable. As of December 31, 2024 and 2023, cash in the amount of $408,932 and $627,772, respectively, was included in the reserved cash financial statement line item and was pledged as collateral on notes payable.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statement of financial position to the amounts reported on the consolidated statement of cash flows:

	2024	2023
Cash and cash equivalents	$ 7,993,090	$ 5,325,857
Restricted cash	2,608,477	2,788,015
Total cash, cash equivalents, and restricted cash shown in the consolidated statement of cash flows	$ 10,601,567	$ 8,113,872

Agency Funds

From time to time, the Organization will hold cash received in an agency capacity. These assets represent cash received from financial institutions, government agencies, or not-for-profit organizations the Organization is acting as an agent for. The cash received is for the ultimate benefit of unrelated organizations that participate in programs for which the Organization helps administer funds. Cash is recorded on the consolidated statement of financial position; a corresponding liability for the same amount is also recorded as agency funds on the accompanying consolidated statement of financial position.

Investments

Investments are stated at fair value in the consolidated statement of financial position with any change in fair value reported in the consolidated statement of activities and changes in net assets. Stock gifts received from donors are recorded as gift income at the fair value of the stock gifts on the date of donation. Gains and losses and investment income derived from investments, net of investment expenses, are accounted for as with or without donor restrictions based on restrictions, if any, in the accompanying consolidated statement of activities and changes in net assets.

Note 2 - Significant Accounting Policies (Continued)

Investments in New Market Tax Credit Entities

The following NMTC CDE entities, over which PeopleFund NMTC, LLC (PF NMTC) exercises significant influence, are included in the consolidated financial statements using the equity method of accounting. PF NMTC, LLC has a 0.01 percent financial interest in each of the following entities:

PF NMTC 4	PF NMTC 10	PF NMTC 16	PF NMTC 22	PF NMTC 28
PF NMTC 5	PF NMTC 11	PF NMTC 17	PF NMTC 23	PF NMTC 29
PF NMTC 6	PF NMTC 12	PF NMTC 18	PF NMTC 24	PF NMTC 30
PF NMTC 7	PF NMTC 13	PF NMTC 19	PF NMTC 25	PF NMTC 31
PF NMTC 8	PF NMTC 14	PF NMTC 20	PF NMTC 26	
PF NMTC 9	PF NMTC 15	PF NMTC 21	PF NMTC 27	

The above limited liability companies were formed in the State of Delaware to qualify as CDEs under the provisions of Section 45D of the Internal Revenue Code and to make qualified low-income community investments from the proceeds of qualified equity investments received from the NMTC investor entities. In accordance with operating agreements of these affiliates, profits, losses, and cash flows are allocated 50.01 percent to the managing member and 49.99 percent to the administrative member.

Accounts Receivable

Contribution and government contract receivable at year end consist of grants and contributions designated by donors for organization programs. Receivables are expected to be collected within one year. As of December 31, 2024 and 2023, there is no allowance for uncollectible contributions.

Property and Equipment

Property and equipment are recorded at cost. Both straight-line and accelerated methods are used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for credit losses. Interest income is accrued on the unpaid principal balance.

The accrual of interest on loans is discontinued after the final acceleration letter has been sent, or when the loan has been moved into a liquidation status for loans that are part of the SBA Community Advantage program. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. Any interest payments received on nonaccrual loans are accounted for as a reduction to the unpaid principal balance of the nonaccrual loan for financial reporting purposes. If a loan is returned to accrual, interest payment previously applied to the loan's outstanding principal balance is accreted ratably into interest income, as an adjustment to the related loan's yield, over the remaining term of the loan.

Note 2 - Significant Accounting Policies (Continued)

Allowance for Credit Losses/Adoption of CECL

As of January 1, 2023, the Organization adopted Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, which superseded the current guidance on the allowance for credit losses. The ASU was issued to provide financial statement users with more useful information about the expected credit losses on financial instruments held by a reporting entity at each reporting date to enhance the decision-making process. The current expected credit losses (CECL) model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for loans at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. This model replaces the multiple existing impairment models, which generally require that a loss be incurred before it is recognized. The CECL methodology also applies to credit exposures on off-balance-sheet loan commitments, financial guarantees not accounted for as insurance, including standby letters of credit, and other similar instruments not recognized as derivative financial instruments.

As a result of the adoption of the ASU, the Organization did not record a cumulative effect of change in accounting principle adjustment on January 1, 2023.

In March 2022, FASB issued ASU No. 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The amendments in this update eliminate the accounting guidance and related disclosures for troubled debt restructurings (TDRs) by creditors in Subtopic 310-40, *Receivables - Troubled Debt Restructurings by Creditors*, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty and requiring an entity to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, *Financial Instruments - Credit Losses - Measured at Amortized Cost*. The amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years and are applied prospectively, except with respect to the recognition and measurement of TDRs, where an entity has the option to apply a modified retrospective transition method. As of January 1, 2023, the Organization adopted FASB ASU No. 2022-02, which superseded the previous disclosure requirements for TDRs.

The allowance for credit losses (ACL) is an estimate of the expected credit losses on the loans held for investment. Loan losses are charged against the ACL when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the ACL. The ACL methodology consists of measuring loans on a collective (pool) basis when similar characteristics exist. The Organization has identified three loan portfolio segments and measures the ACL using the vintage loss rate method.

Qualitative adjustments to loss rate information may be made for differences in the Organization's current loan-specific risk characteristics as compared to the vintage loss experience. Such characteristics include but are not limited to differences in underwriting standards, portfolio mix, delinquency levels, or term as well as for changes in environmental conditions. In evaluating the ACL analysis, management may identify a difference in risk characteristics and, therefore, will apply a qualitative risk factor, which will adjust the calculated ACL totals.

In addition to the ACL on loans, the Organization maintains a reserve for unfunded loan commitments at a level that management believes is adequate to absorb estimated probable credit losses over the contractual terms of the Organization's noncancelable loan commitments. The reserve for unfunded loan commitments, which is included in accrued liabilities and other on the accompanying consolidated statement of financial position, is established through provisions for credit losses.

Note 2 - Significant Accounting Policies (Continued)

Unfunded loan commitments are segmented into the same pools used for estimating the ACL on loans. Estimated credit losses on unfunded loan commitments are based on the same methodology, inputs, and assumptions used to estimate credit losses on collectively evaluated loans, adjusted for estimated funding probabilities. The estimated funding probabilities represent management's estimate of the amount of the current unfunded loan commitment that will be funded over the remaining contractual life of the commitment and is based on historical data.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Contributions

Unconditional promises to give cash and other assets to the Organization are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same year in which they are received are reported as contributions with donor restrictions and released in the accompanying financial statements.

Government Contracts

Government contract revenue received for grants is considered a contribution transaction and is recognized as the conditions of the grants have been met. Grant funding received in advance of conditions being met is recorded as deferred revenue.

Revenue Recognition

Small Business Lending Program and Affiliate Income

Small business lending programs and affiliate income consist primarily of interest income. Interest income on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding

NMTC Income

NMTC income is recognized as revenue when earned, which is upon the closing of the qualified equity investment.

Note 2 - Significant Accounting Policies (Continued)

504 Income

504 income includes processing fees that are recognized when earned, which is upon approval from SBA, and upon loan closing (debenture) and servicing fees that are recognized when earned, monthly.

Other Operating Income

Other operating income represents revenue associated with technical assistance and program management services delivered to cities and municipalities, business assistance workshops, and office space rent. Other operating income is recognized as revenue when earned, which is upon the delivery of services.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. 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, property taxes, and other expenses. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Leases

The Organization has operating leases for office space. The Organization recognizes expense for operating leases on a straight-line basis over the lease term.

The Organization has operating leases for office space with a lease term of one year or less that the Organization elected to account for as short-term leases. As these leases are short-term leases, they are not included in the right-of-use asset and lease liability. Total expense related to short-term leases was $1,900 and $13,300 for 2024 and 2023, respectively.

The Organization elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that, as of December 31, 2024 and 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

PeopleFund, as the exempt owner of PeopleFund NMTC, LLC; PeopleFund Advisors, LLC; Veteran Loan Fund LLC; and Veteran Loan Fund 2 LLC, has elected to treat these entities as disregarded for tax purposes. As result, the operations and finances of these entities are treated as PeopleFund's for tax and information reporting purposes. The activities of these entities are aligned with PeopleFund's mission, so no tax would be due on any earnings.

Note 2 - Significant Accounting Policies (Continued)

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including April 21, 2025, which is the date the consolidated financial statements were available to be issued.

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2024
	Quoted Prices in Active Markets for Identical Assets (Level 1)
Assets	
Cash	$ 6,894,504
Investments:	
Mutual funds - Fixed income	7,776,876
Mutual funds - Equities	42,918
Total investments	7,819,794
Total assets	$ 14,714,298

Note 3 - Fair Value Measurements (Continued)

		Assets Measured at Fair Value on a Recurring Basis at December 31, 2023
		Quoted Prices in Active Markets for Identical Assets (Level 1)
Assets		
Cash	$	153,250
Investments:		
Mutual funds - Fixed income		3,280,212
Mutual funds - Equities		1,065,381
Total investments		4,345,593
Total assets	$	4,498,843

Cash presented in the tables above represents amounts awaiting investment at year end.

Note 4 - Property and Equipment

Property and equipment are summarized as follows:

		2024		2023	Depreciable Life - Years
Land	$	379,880	$	379,880	-
Building and improvements		3,297,033		3,297,033	7-40
Vehicles		170,521		170,521	5
Furniture and equipment		453,605		421,145	3-5
Software and other intangibles		1,610,595		1,295,373	3-5
Total cost		5,911,634		5,563,952	
Accumulated depreciation		2,278,122		1,860,175	
Net property and equipment	$	3,633,512	$	3,703,777	

Depreciation and amortization expense for 2024 and 2023 was $420,281 and $324,164, respectively.

Note 5 - Loans and Allowance for Credit Losses

A summary of the balances of loans follows:

		2024		2023
Small business loans	$	21,067,829	$	21,809,907
Special programs		20,290,542		14,895,809
SBA Community Advantage		22,005,903		16,422,369
SBA Microloan		5,514,569		5,930,004
Total loans		68,878,843		59,058,089
Less allowance for credit losses		3,209,754		2,952,905
Net loans	$	65,669,089	$	56,105,184

Note 5 - Loans and Allowance for Credit Losses (Continued)

Special program loans include VLF loans, pool loans, and loans to nonprofit organizations. As part of the consolidation process, special program loan balances shown above include 18 loans for $8,531,762 for year end 2024 and 18 loans for $10,599,997 for year end 2023 deployed by Veteran Loan Fund. The special program loan balances shown above also include 4 loans for $4,500,000 for year end 2024 and 0 loans for year end 2023 deployed by Veteran Loan Fund 2. In relation to these portfolios, the Organization carried an allowance for credit losses of $124,750 at both December 31, 2024 and 2023 for VLF. The Organization also carried an allowance for credit losses of $45,000 in 2024 for VLF2. As of December 2024, all loans in the VLF and VLF2 portfolio were performing according to contractual terms.

	2024	2023
Current loan received - Net	$ 13,940,729	$ 12,341,095
Long-term loans receivable - Net	51,728,360	43,764,089
Total	$ 65,669,089	$ 56,105,184

The Organization had contractual agreements to loan $3,009,708 and $2,384,337 in funds not yet disbursed as of December 31, 2024 and 2023, respectively.

Paycheck Protection Program (PPP) Loan Program

Loans receivable include loans issued by the Organization as a lender in the PPP, which opened on April 3, 2020. The Organization's deliberate efforts to support the most vulnerable resulted in an average loan size of approximately $20,000. As of December 31, 2024 and 2023, the Organization had 11 and 14 active loans for $137,425 and $195,153, respectively, out of a total of approximately $39 million deployed under this program. These loans are fully guaranteed by the Small Business Administration and subject to partial or full forgiveness depending on CARES Act rules and regulations. The Organization expects that most if not all of the remaining PPP loans (which represent 0.6 percent of originations under this program) will be fully forgiven or paid off by the borrower with any remaining balance to be paid off by the SBA guarantee.

Loan Origination/Risk Management

The Organization 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 nonperforming and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions. The credit extended ranged from approximately $5,000 to $1,700,000 at December 31, 2024 and from approximately $5,000 to $1,000,000 at December 31, 2023.

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. The Organization'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 creditworthy 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.

Note 5 - Loans and Allowance for Credit Losses (Continued)

The Organization's activity in the allowance for credit losses for the years ended December 31, 2024 and 2023, by loan segment, is summarized below:

	Year Ended December 31, 2024				
	Small Business Loans	Special Programs	SBA Community Advantage	SBA Microloan	Total
Beginning balance	$ 1,754,348	$ 166,725	$ 443,638	$ 588,194	$ 2,952,905
Charge-offs	(2,725,953)	-	(632,184)	(478,676)	(3,836,813)
Recoveries	40,380	-	529,322	26,132	595,834
Provision	2,392,929	74,800	143,315	886,784	3,497,828
Ending balance	$ 1,461,704	$ 241,525	$ 484,091	$ 1,022,434	$ 3,209,754

	Year Ended December 31, 2023				
	Small Business Loans	Special Programs	SBA Community Advantage	SBA Microloan	Total
Beginning balance	$ 2,173,521	$ 149,750	$ 451,140	$ 628,283	$ 3,402,694
Charge-offs	(1,417,173)	-	(551,267)	(494,414)	(2,462,854)
Recoveries	7,450	-	466,039	6,262	479,751
Provision	990,550	16,975	77,726	448,063	1,533,314
Ending balance	$ 1,754,348	$ 166,725	$ 443,638	$ 588,194	$ 2,952,905

Credit Quality Disclosures

As part of the ongoing monitoring of the credit quality of the Organization's loan portfolio, the Organization utilizes a risk grading system to assign a risk grade to each of its loans. The Organization also evaluates the collateral value compared to the outstanding principal balance, as well as loan performance, when determining which category to place the loan:

Performing

Credits not covered by the below definitions are pass credits, which are not considered to be adversely rated.

Nonperforming

Loans classified as nonperforming are delinquent more than 90 days and may be inadequately protected by the current net worth of the borrower or of the collateral pledged, if any. Loans so classified have a well-defined weakness that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Organization may sustain some loss if the deficiencies are not corrected.

SBA Community Advantage (CA) loans are substantially guaranteed by the SBA. As a result, only the unguaranteed portion (15 percent for loans at $150,000 or under and 25 percent for loans over $150,000) is provided for within the allowance for credit losses. CA loans sold on the secondary market have an additional 3 percent provided for within the allowance for credit losses. The Organization is in compliance with the loan loss reserve requirements for the CA program.

Note 5 - Loans and Allowance for Credit Losses (Continued)

The following tables present the amortized cost basis of loans by credit quality indicator and class as of December 31, 2024 and 2023:

	December 31, 2024		
	Performing	Nonperforming	Ending Balance
Small business loans	$ 20,840,386	$ 227,443	$ 21,067,829
Special programs	20,290,542	-	20,290,542
SBA Community Advantage	21,252,559	753,344	22,005,903
SBA Microloan	5,514,569	-	5,514,569
Total	$ 67,898,056	$ 980,787	$ 68,878,843

	December 31, 2023		
	Performing	Nonperforming	Ending Balance
Small business loans	$ 21,427,978	$ 381,929	$ 21,809,907
Special programs	14,895,809	-	14,895,809
SBA Community Advantage	16,087,372	334,997	16,422,369
SBA Microloan	5,783,617	146,387	5,930,004
Total	$ 58,194,776	$ 863,313	$ 59,058,089

Age Analysis of Past-due Loans

The Organization's age analysis of past-due loans at December 31, 2024 and 2023, by loan segment and class, is summarized below:

	December 31, 2024						
	30-59 Days Past Due	60-89 Days Past Due	90 or More Days	Total	Current	Total Loans	90 or More Days Past Due and Accruing
Small business loans	$ 355,828	$ 195,688	$ 227,443	$ 778,959	$ 20,288,870	$ 21,067,829	$ 227,443
Special programs	-	-	-	-	20,290,542	20,290,542	-
SBA Community Advantage	717,718	83,275	753,344	1,554,337	20,451,566	22,005,903	504,305
SBA Microloan	128,573	-	-	128,573	5,385,996	5,514,569	-
Total	$ 1,202,119	$ 278,963	$ 980,787	$ 2,461,869	$ 66,416,974	$ 68,878,843	$ 731,748

Total delinquencies as of December 31, 2024 are approximately 3.6 percent of the Organization's total loans and notes receivable.

	December 31, 2023						
	30-59 Days Past Due	60-89 Days Past Due	90 or More Days	Total	Current	Total Loans	90 or More Days Past Due and Accruing
Small business loans	$ 190,852	$ 593,772	$ 381,929	$ 1,166,553	$ 20,643,354	$ 21,809,907	$ 381,929
Special programs	-	-	-	-	14,895,809	14,895,809	-
SBA Community Advantage	154,340	61,337	334,997	550,674	15,871,695	16,422,369	260,033
SBA Microloan	89,788	97,550	146,387	333,725	5,596,279	5,930,004	146,387
Total	$ 434,980	$ 752,659	$ 863,313	$ 2,050,952	$ 57,007,137	$ 59,058,089	$ 788,349

Total delinquencies as of December 31, 2023 are approximately 3.5 percent of the Organization's total loans and notes receivable.

Note 5 - Loans and Allowance for Credit Losses (Continued)

Nonaccrual Loans

The Organization's loans on nonaccrual status at December 31, 2024, 2023, and 2022 by loan segment and class, are summarized below:

	2024		2023		2022
	Total Nonaccrual Loans	Interest Income Recognized During the Period on Nonaccrual Loans	Total Nonaccrual Loans	Interest Income Recognized During the Period on Nonaccrual Loans	Total Nonaccrual Loans
Small business loans	$ -	$ -	$ -	$ -	$ 23,588
SBA Community Advantage	561,165	28,036	223,098	3,346	419,877
Total	$ 561,165	$ 28,036	$ 223,098	$ 3,346	$ 443,465

Loan Modifications

The following tables present the amortized cost basis as of December 31, 2024 and 2023 of the loans modified to borrowers experiencing financial difficulty disaggregated by class of financing receivable and type of concession granted during the reporting period:

	December 31, 2024		
	Term Extension		
	Amortized Cost Basis	Percent of Total Class of Financing Receivable	Total Class of Financing Receivable
Small business loans	$ 465,425	1.3 %	$ 21,067,829
Special programs	-	-	20,290,542
SBA Community Advantage	1,220,841	7.4	22,005,903
SBA Microloan	23,016	0.4	5,514,569
Total	$ 1,709,282	2.9 %	$ 68,878,843

	December 31, 2023		
	Term Extension		Combination: Term Extension and Interest Rate Reduction
	Amortized Cost Basis	Percent of Total Class of Financing Receivable	Total Class of Financing Receivable
Small business loans	$ 283,632	0.8 %	$ 21,809,907
Special programs	-	-	14,895,809
SBA Community Advantage	411,060	2.5	16,422,369
SBA Microloan	100,791	1.7	5,930,004
Total	$ 795,483	5.00 %	$ 59,058,089

Note 5 - Loans and Allowance for Credit Losses (Continued)

The following tables present the financial effect by type of modification made to borrowers experiencing financial difficulty and class of financing receivable:

	For the Year Ended December 31, 2024
	Term Extension
Small business loans	Loan whose maturity date has been extended (added a weighted-average three years to the life of the loans) due to long-term issues and the borrower's inability to make payments in accordance with the terms of the original loan agreement
SBA Community Advantage	Loan whose maturity date has been extended (added a weighted-average six years to the life of the loans) due to long-term issues and the borrower's inability to make payments in accordance with the terms of the original loan agreement
SBA Microloan	Loan whose maturity date has been extended (added a weighted-average two years to the life of the loans) due to long-term issues and the borrower's inability to make payments in accordance with the terms of the original loan agreement

	For the Year Ended December 31, 2023
	Term Extension
Small business loans	Loan whose maturity date has been extended (added a weighted-average three years to the life of the loans) due to long-term issues and the borrower's inability to make payments in accordance with the terms of the original loan agreement
SBA Community Advantage	Loan whose maturity date has been extended (added a weighted-average six years to the life of the loans) due to long-term issues and the borrower's inability to make payments in accordance with the terms of the original loan agreement
SBA Microloan	Loan whose maturity date has been extended (added a weighted-average two years to the life of the loans) due to long-term issues and the borrower's inability to make payments in accordance with the terms of the original loan agreement

The following tables present the period-end amortized cost basis of financing receivables that have had a payment default during the period and were modified in the 12 months before default to borrowers experiencing financial difficulty:

	December 31, 2024	December 31, 2023
	Term Extension	Term Extension
Small business loans	$ -	$ 46,358
SBA Community Advantage	438,185	74,964
SBA Microloan	-	32,697
Total	$ 438,185	$ 154,019

The following tables present the period-end amortized cost basis of loans that have been modified in the past 12 months to borrowers experiencing financial difficulty by payment status and class of receivable:

	December 31, 2024			
	Current	30-89 Days	Greater Than 90 Days	Total
Small business loans	$ 410,154	$ -	$ 55,271	$ 465,425
SBA Community Advantage	470,513	438,185	312,143	1,220,841
SBA Microloan	23,016	-	-	23,016
Total	$ 903,683	$ 438,185	$ 367,414	$ 1,709,282

Note 5 - Loans and Allowance for Credit Losses (Continued)

	December 31, 2023			
	Current	30-89 Days	Greater Than 90 Days	Total
Small business loans	$ 237,274	$ 46,358	$ -	$ 283,632
SBA Community Advantage	336,096	74,964	-	411,060
SBA Microloan	68,094	32,697	-	100,791
Total	$ 641,464	$ 154,019	$ -	$ 795,483

Note 6 - Long-term Debt

Long-term debt at December 31 is as follows:

	2024	2023
Notes payable to various banks, foundations, and individuals at interest rates between 0.0 percent and 3.0 percent, with various payment terms. Full principal amounts are due at maturity, and maturity dates vary through March 2033	$ 58,215,417	$ 46,427,575
Notes payable to the Small Business Administration (SBA) with individual interest rates between 0.0 percent to 2.75 percent, with varying repayment amounts, maturing at various dates through August 2033. The notes are collateralized by balances held in reserved cash accounts, as well as an interest in notes receivable funded through the SBA Microloan program	4,904,869	5,711,288
Total	63,120,286	52,138,863
Less current portion	8,641,003	9,385,306
Long-term portion	$ 54,479,283	$ 42,753,557

The balance of the above debt matures as follows:

Years Ending	Amount
2025	$ 11,128,454
2026	11,327,018
2027	12,563,543
2028	6,905,840
2029	11,505,181
Thereafter	9,690,250
Total	$ 63,120,286

Interest expense for 2024 and 2023 was $1,155,091 and $1,040,431, respectively.

Under the agreements with the bank, the Organization is subject to various financial covenants.

Note 7 - Line of Credit

PeopleFund had two open lines of credit for a cumulative $1,250,000 with two financial institutions, and those lines had no outstanding balances as of December 31, 2024 and 2023. The lines of credit are due to expire between August 13, 2025 and December 15, 2025.

Note 8 - Net Assets

Net assets with donor restrictions as of December 31 are available for the following purposes:

	2024	2023
Veteran loan fund	$ 18,658	$ 106,330
BIPOC Small Business Accelerator Program	360,011	849,104
Other	652,879	746,379
Total	$ 1,031,548	$ 1,701,813

Note 9 - NMTC Program

Since 2013, the Organization has been awarded and subsequently deployed $240 million in NMTC allocation to support community development in economically distressed areas throughout Texas. In 2024 and 2023, the Organization deployed $45 million of tax credit allocation supporting five projects in 2024 throughout the state. All 100 percent of the 2023-2024 tax allocation was deployed in 2024.

Note 10 - Retirement Plans

The Organization sponsors a 401(k) plan for all full-time employees who have completed at least three months of service. The Organization provides a 50 percent match on employee contributions up to 8 percent of salary. Contributions to the plan totaled $134,775 and $142,548 for the years ended December 31, 2024 and 2023, respectively.

Note 11 - Leases

The Organization is obligated under operating leases primarily for office space, expiring at various dates through 2027. The right-of-use asset and related lease liability have been calculated using discount rates ranging from 1.04 percent to 1.55 percent. The leases require the Organization to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was $118,351 and $128,280 for 2024 and 2023, respectively.

The Organization has operating leases for office space with a lease term of one year or less that the Organization elected to account for as short-term leases. As these leases are short-term leases, they are not included in the right-of-use asset and lease liability. Total expense related to short-term leases was $100,400 and $13,300 for 2024 and 2023, respectively.

Future minimum annual commitments under these operating leases are as follows:

Years Ending December 31	Amount
2025	$ 79,692
2026	35,949
2027	15,735
Total	$ 131,376

Note 12 - Contingencies

NMTC Indemnification Contingencies - PeopleFund Advisors, LLC provides indemnifications for its various NMTC projects in the event of a tax benefit recapture. The NMTC tax benefit recapture risk is based on the initial qualified equity investment amount. The indemnification contingencies are shared equally between the members of the LLC.

Note 12 - Contingencies (Continued)

Indemnification agreements only cover events that occurred during the compliance period; however, they remain in full force and effect past compliance end, generally running another three to four years to cover statutory period of limitation for IRS audit. Maximum indemnity would happen only in certain events (fraud, gross negligence, willful misconduct, failure to notify, etc.). In most circumstances, the indemnification amount will be lower than maximum due to certain caps imposed under agreement or timing of recapture event.

As of December 31, 2024, the maximum indemnity amount was $87.8 million; however, PeopleFund's share is $43.9 million, and, per the cap imposed under the indemnification agreements, PeopleFund's adjusted contingent liability is approximately $9.9 million in all but the most unlikely of events. The expiration dates of the contingencies are spread from December 2023 to December 2031 depending on the closing date of each project.

Management believes that the likelihood of a recapture event is remote.

Note 13 - Liquidity and Availability of Resources

The Organization's financial assets available within one year of December 31, 2024 and 2023 for general expenditure are as follows:

	2024	2023
Cash and cash equivalents	$ 7,993,090	$ 5,325,857
Investments	14,714,298	4,498,843
Accrued interest	600,428	548,937
Accounts receivable	1,967,569	1,864,570
Current portion of loans receivable - Net of allowance for credit losses	13,940,729	12,341,095
Total	$ 39,216,114	$ 24,579,302

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date.

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 150 days of normal operating expenses, which are, on average, approximately $5,500,000 and $4,600,000 at December 31, 2024 and 2023, respectively. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in various short-term investments. The Organization has set aside cash $2,300,000 for operating expenses.

The Organization also realizes there could be unanticipated liquidity needs. The Organization also has line of credit in the amount of $1,250,000 that it could draw upon in the event of an unanticipated liquidity need.

PeopleFund

Federal Awards Supplemental Information
December 31, 2024

Contents

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
PeopleFund

We have audited the consolidated financial statements of PeopleFund as of and for the year ended December 31, 2024 and have issued our report thereon dated April 21, 2025, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. We have not performed any procedures with respect to the audited consolidated financial statements subsequent to April 21, 2025.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, 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 the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Plante & Moran, PLLC

April 21, 2025

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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*

Independent Auditor's Report

To Management and the Board of Directors
PeopleFund

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of PeopleFund (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2024 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated April 21, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 Organization's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on 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 consolidated financial statements. 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*.

To Management and the Board of Directors
PeopleFund

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.

Plante & Moran, PLLC

April 21, 2025

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
PeopleFund

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited PeopleFund's (the "Organization") compliance with the types of compliance requirements identified as subject to audit 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 program for the year ended December 31, 2024. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Directors
PeopleFund

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.

Plante & Moran, PLLC

April 21, 2025

PeopleFund

Federal Agency/Pass-through Agency/Program Title
Economic Development Cluster -
U.S. Department of Commerce - COVID-19 - Economic Adjustment Assistance - Revolving Loan Fund Supplemental Disaster Recovery and Resiliency Award
U.S. Small Business Administration:
Microloan Program - Grant
Microloan Program - Grant
Total Microloan Program - Grant
Microloan Program - Loan Balance
Microloan Program - Loan Balance
Microloan Program - Loan Balance
Microloan Program - Loan Balance
Microloan Program - Loan Balance
Microloan Program - Loan Balance
Microloan Program - Loan Balance
Total Microloan Program - Loan Balance
Total Microloan Program
Prime Technical Assistance
Total U.S. Small Business Administration
U.S. Department of the Treasury, Community Development Financial Institutions Fund:
COVID-19 - Community Development Financial Institutions Fund Equitable Recovery Program (CDFI ERP)
Passed through County of El Paso, Texas - COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - El Paso ARPA Buydown program
Total U.S. Department of the Treasury
U.S. Department of Agriculture

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2024

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of PeopleFund (the "Organization") under programs of the federal government for the year ended December 31, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of the Organization.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The pass-through entity identifying numbers are presented where available.

The Organization has elected to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Note 3 - Loan Balances

Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedule of expenditures of federal awards. The balances of loans outstanding at December 31, 2024 consist of the following:

Federal Program	Cluster/Program Title	Assistance Listing Number	Loan Balance
Small Business Administration	Microloan Program	59.046	$ 4,904,869

Schedule of Findings and Questioned Costs

Year Ended December 31, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	______ Yes	X No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	______ Yes	X None reported
Noncompliance material to financial statements noted?	______ Yes	X None reported

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	______ Yes	X No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	______ Yes	X None reported
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	______ Yes	X No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
59.046	Small Business Administration Microloan Program	Unmodified

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X Yes	______ No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None