

**THE PEOPLE CONCERN**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

**THE PEOPLE CONCERN**  
CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

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**AUDIT  
AND  
ASSURANCE**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The People Concern

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of The People Concern (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The People Concern as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Audit of the Consolidated Financial Statements section of our report. We are required to be independent of The People Concern and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **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 People Concern's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

To the Board of Directors  
The People Concern

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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.

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

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

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

### **Report on Summarized Comparative Information**

We have previously audited The People Concern's June 30, 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated audited financial statements in our report dated March 29, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

To the Board of Directors  
The People Concern

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the consolidated financial statements. The accompanying Schedule of Expenditures of Awards from the Los Angeles Housing and Community Investment Department is presented at the request of the funder. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2025 on our consideration of The People Concern's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The People Concern's internal control over financial reporting and compliance.

*Green Hasson & Janks LLP*

March 28, 2025  
Los Angeles, California

## THE PEOPLE CONCERN

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2024

With Summarized Totals at June 30, 2023

	2024	2023
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 247,197	\$ 1,880,811
Restricted Cash - Held for Clients	366,583	747,649
Investments	4,317,578	3,962,845
Grants, Contracts and Other Receivables	22,834,809	22,393,562
Pledges Receivable (Net)	2,749,776	1,621,630
Prepaid Expenses and Other Assets	2,080,241	2,074,755
Deferred Rent Asset	3,113,636	3,204,545
Right-of-Use Assets	23,180,207	29,410,069
Property and Equipment (Net)	66,058,236	51,833,467
<b>TOTAL ASSETS</b>	<b>\$ 124,948,263</b>	<b>\$ 117,129,333</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts Payable	\$ 9,305,629	\$ 3,595,461
Accrued Liabilities	4,859,934	4,676,534
Funds Held on Behalf of Clients	366,583	747,649
Line of Credit	7,455,860	6,100,000
Contract Advances	7,127,667	6,859,325
Contract Reserves	630,000	1,057,766
Lease Liabilities	23,815,816	30,075,106
Notes Payable	22,533,411	22,771,179
<b>TOTAL LIABILITIES</b>	76,094,900	75,883,020
<b>NET ASSETS:</b>		
<b>Without Donor Restrictions:</b>		
Undesignated	22,076,363	13,345,623
Board Designated	1,283,214	1,279,178
<b>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	23,359,577	14,624,801
<b>With Donor Restrictions</b>	25,493,786	26,621,512
<b>TOTAL NET ASSETS</b>	48,853,363	41,246,313
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 124,948,263</b>	<b>\$ 117,129,333</b>

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

## THE PEOPLE CONCERN

### CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

With Summarized Totals for the Year Ended June 30, 2023

	2024			2023 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUE AND SUPPORT:</b>				
Government Grants and Contracts	\$ 89,529,577	\$ 119,545	\$ 89,649,122	\$ 71,035,983
Contributions	3,556,112	6,291,617	9,847,729	10,771,871
Contributions In-Kind	61,632	753,688	815,320	954,072
Investment Return (Net)	389,313	-	389,313	250,738
Rental and Other Income	3,024,001	-	3,024,001	1,491,696
Forgiveness of Notes Payable	112,540	-	112,540	131,498
Net Assets Released from Donor Restrictions	8,292,576	(8,292,576)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	104,965,751	(1,127,726)	103,838,025	84,635,858
<b>EXPENSES:</b>				
Program Services	89,992,489	-	89,992,489	82,507,134
Management and General	4,149,721	-	4,149,721	4,015,690
Fundraising	2,088,765	-	2,088,765	1,882,392
<b>TOTAL EXPENSES</b>	96,230,975	-	96,230,975	88,405,216
<b>CHANGE IN NET ASSETS</b>	8,734,776	(1,127,726)	7,607,050	(3,769,358)
Net Assets - Beginning of Year	14,624,801	26,621,512	41,246,313	45,015,671
<b>NET ASSETS - END OF YEAR</b>	\$ 23,359,577	\$ 25,493,786	\$ 48,853,363	\$ 41,246,313

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

**THE PEOPLE CONCERN**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2024  
With Summarized Totals for the Year Ended June 30, 2023

	2024										2023 Total
	Program Services						Total	Management and General	Fundraising	Total	
	Housing	Mental Health	Domestic Violence	Outreach and Engagement	Wellness and Life Skills	Other					
Salaries	\$ 29,941,476	\$ 7,672,759	\$ 1,206,809	\$ 6,995,632	\$ 913,055	\$ 1,251,740	\$ 47,981,471	\$ 1,219,000	\$ 1,432,420	\$ 50,632,891	\$ 43,578,559
Payroll Taxes and Employee Benefits	6,968,778	1,700,437	274,473	1,675,860	212,388	236,043	11,067,979	266,671	218,264	11,552,914	8,885,333
<b>TOTAL PERSONNEL COSTS</b>	36,910,254	9,373,196	1,481,282	8,671,492	1,125,443	1,487,783	59,049,450	1,485,671	1,650,684	62,185,805	52,463,892
Direct Program Services	6,212,380	335,693	101,696	1,654,875	9,129	410,797	8,724,570	-	-	8,724,570	9,594,826
Legal and Professional Services	4,322,442	1,076,743	124,299	1,051,160	65,936	679,009	7,319,589	859,679	107,503	8,286,771	6,676,618
Occupancy	5,951,446	1,122,519	221,892	1,188,162	43,644	231,563	8,759,226	765,970	84,052	9,609,248	8,899,245
Subcontractor Expenses	403,474	652	-	1,079,143	-	288	1,483,557	-	-	1,483,557	5,193,291
Office Expenses	1,579,905	640,354	27,457	450,789	32,496	72,906	2,803,907	219,999	170,463	3,194,369	2,405,782
Depreciation	894,333	196,666	66,282	196,181	6,101	51,059	1,410,622	60,520	9,571	1,480,713	2,344,268
Other Expenses	239,187	98,469	7,046	76,849	6,111	13,906	441,568	757,882	66,492	1,265,942	827,294
<b>TOTAL 2024 FUNCTIONAL EXPENSES</b>	<u>\$ 56,513,421</u>	<u>\$ 12,844,292</u>	<u>\$ 2,029,954</u>	<u>\$ 14,368,651</u>	<u>\$ 1,288,860</u>	<u>\$ 2,947,311</u>	<u>\$ 89,992,489</u>	<u>\$ 4,149,721</u>	<u>\$ 2,088,765</u>	<u>\$ 96,230,975</u>	
							94%	4%	2%	100%	
<b>TOTAL 2023 FUNCTIONAL EXPENSES</b>	<u>\$ 50,534,955</u>	<u>\$ 10,482,233</u>	<u>\$ 2,359,022</u>	<u>\$ 14,670,274</u>	<u>\$ 1,393,658</u>	<u>\$ 3,066,992</u>	<u>\$ 82,507,134</u>	<u>\$ 4,015,690</u>	<u>\$ 1,882,392</u>		<u>\$ 88,405,216</u>
							93%	5%	2%		100%

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

## THE PEOPLE CONCERN

### CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2024

With Summarized Totals for the Year Ended June 30, 2023

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 7,607,050	\$ (3,769,358)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	1,480,713	2,344,268
Realized and Unrealized Gains on Investments	(310,454)	(196,029)
Forgiveness of Notes Payable	(112,540)	(131,498)
Amortization of Deferred Rent	90,909	90,910
Donated Stock	(59,093)	(92,585)
Proceeds from Sale of Donated Stock	58,045	92,824
Realized Loss (Gain) on Sale of Donated Stock	1,048	(239)
(Increase) Decrease in:		
Grants, Contracts and Other Receivables	(441,247)	(8,597,388)
Pledges Receivable	(1,128,146)	971,632
Prepaid Expenses and Other Assets	(5,486)	(595,967)
Right-of-Use Assets	6,229,862	2,558,916
Increase (Decrease) in:		
Accounts Payable	5,710,168	437,518
Accrued Liabilities	183,400	210,149
Funds Held on Behalf of Clients	(381,066)	110,397
Contract Advances	268,342	2,070,804
Lease Liabilities	(6,259,290)	(1,893,879)
Contract Reserves	(427,766)	(188,273)
	<b>12,504,449</b>	<b>(6,577,798)</b>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
	<b>12,504,449</b>	<b>(6,577,798)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	(15,705,482)	(2,565,896)
Interest and Dividends Reinvested (Net)	(65,180)	(58,454)
Purchase of Investments	(139,193)	(204,222)
Proceeds on Sale of Investments	160,094	265,527
	<b>(15,749,761)</b>	<b>(2,563,045)</b>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
	<b>(15,749,761)</b>	<b>(2,563,045)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net Borrowings on Line of Credit	1,355,860	6,100,000
Payments on Notes Payable	(125,228)	(123,204)
	<b>1,230,632</b>	<b>5,976,796</b>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		
	<b>1,230,632</b>	<b>5,976,796</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,014,680)</b>	<b>(3,164,047)</b>
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	<b>2,628,460</b>	<b>5,792,507</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR</b>	<b>\$ 613,780</b>	<b>\$ 2,628,460</b>

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

## THE PEOPLE CONCERN

### CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2024

With Summarized Totals for the Year Ended June 30, 2023

	2024	2023
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH INCLUDES:</b>		
Cash and Cash Equivalents	\$ 247,197	\$ 1,880,811
Restricted Cash - Held for Clients	366,583	747,649
 <b>TOTAL CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	 \$ 613,780	 \$ 2,628,460
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash Paid During the Year for Interest	\$ 778,165	\$ 242,415
 Non-Cash Impact of Implementation of Accounting Standards Update No. 2016-02, <i>Leases (Topic 842)</i>		
Increase in Right-of-Use Assets	\$ -	\$ 31,968,985
Increase in Lease Liabilities	-	31,968,895

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

# THE PEOPLE CONCERN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

### NOTE 1 - NATURE OF ORGANIZATION

One of Los Angeles County's largest social services agencies, The People Concern was formed in 2016 in a merger of two trusted social service organizations based in Los Angeles County, Ocean Park Community Center (OPCC) and LAMP, Inc. dba Lamp Community (Lamp). Informed by more than fifty years of work in the community, The People Concern is a leading provider of, and advocate for, evidence-based solutions to the multi-faceted challenges inherent in homelessness and domestic violence.

The People Concern provides a fully integrated system of care - including outreach, interim housing, mental and medical health care, substance abuse services, domestic violence services, life skills and wellness programs, and permanent supportive housing - tailored to the unique needs of homeless individuals, survivors of domestic violence, challenged youth, and others who have nowhere else to turn.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of The People Concern and People Co, LLC (collectively, The People Concern). The People Concern is the sole member of People Co, LLC.

#### (b) BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

#### (c) NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions. The board of directors has designated, from net assets without donor restrictions, net assets of \$1,283,214 for an operating reserve.
- **Net Assets With Donor Restrictions.** Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

# THE PEOPLE CONCERN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **(d) CASH AND CASH EQUIVALENTS AND RESTRICTED CASH**

The People Concern considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents. The carrying value of cash and cash equivalents at June 30, 2024 approximates its fair value.

The People Concern maintains separate cash accounts for certain of its participants who receive pension and social security payments, as well as cash from other sources. Participant funds that have been set aside in restricted trust bank accounts at June 30, 2024 amounted to \$366,583.

#### **(e) INVESTMENTS**

Investments in marketable securities with readily redeemable fair values and all investments in debt securities are recorded at fair value. Securities are generally held in custodial investment accounts administered by financial institutions. Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in investment return in the consolidated statement of activities and represent the change in the difference between the cost and fair value of investments held at the end of the fiscal year.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Because of the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

Included in investments is a 7.673% membership interest in 82<sup>nd</sup> Street Development, LLC, an entity whose purpose is to acquire, own, develop, and operate a permanent supportive housing project. The carrying value of the investment is estimated by management to be a reasonable approximation of fair value based on the current purchase price of membership interests.

## THE PEOPLE CONCERN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(e) INVESTMENTS** (continued)

In addition, The People Concern is the managing general partner of various permanent supportive housing projects. The general partners in a limited partnership are presumed to control that limited partnership regardless of the general partners' ownership interest in the limited partnership. If a limited partnership has multiple general partners, the determination of which, if any, general partner within the group controls, and therefore, shall consolidate the limited partnership is based on an analysis of the relevant facts and circumstances. In situations involving multiple general partners, entities under common control are considered to be a single general partner for purposes of applying the guidance. If the limited partners have substantive kick-out rights or substantive participating rights, the presumption of control by the general partners is overcome and each of the general partners shall account for its investment in the limited partnership using the equity method of accounting. In each of the following projects, the presumption of control by The People Concern is overcome through the limited partners having substantive participating rights and consequently equity accounting is appropriate. Currently the permanent supportive housing projects are not generating any earnings.

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

Grants, contracts and other receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, represents their estimated net realizable value. The allowance for contract reserves is estimated based on historical collection trends, type of grantor and contract, the age of outstanding receivables and the terms and conditions of the related contracts. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the reserve is adjusted accordingly. Past due receivable balances are written off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2024, The People Concern established a contract reserves liability of \$630,000.

The majority of The People Concern's revenue is derived from fee-for-service and cost reimbursement grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Such grants are generally considered nonreciprocal transactions restricted by the awarding agencies for certain purposes. Amounts received are recognized as revenue when The People Concern has satisfied the specific performance requirements or incurred expenditures in compliance with specific contract or grant provisions. The People Concern has elected to adopt a policy whereby donor-restricted grants and contributions that were initially conditional and whose conditions and restrictions are met in the same reporting period are recognized as revenue without donor restrictions. Amounts received prior to incurring qualifying expenditures or fulfilling the specific performance obligations are reported as refundable contract advances in the consolidated statement of financial position.

## THE PEOPLE CONCERN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

The People Concern leases facilities under month-to-month operating leases and recognizes rental income monthly on a straight-line basis over the terms of the respective lease agreements. There are no unbilled rent receivables or deferred rent revenues, as these agreements are month-to-month.

The People Concern determines whether the contract contains a lease at its inception based on whether the contract conveys the right to control the use of identified facilities for a period of time in exchange for consideration. The classification of the lease as operating or financing is also determined at the inception of the lease contract. If the provisions of the lease change after lease inception, other than by renewal or extension, The People Concern evaluates whether that change may have resulted in a different lease classification had the change been in effect at inception. If so, the revised agreement is considered a new lease for lease classification purposes. The People Concern's leases do not contain significant non-lease components.

**(g) CONCENTRATIONS**

The People Concern maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured limits. The People Concern has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on these accounts.

The grants, contracts and other receivables balance outstanding at June 30, 2024 consists primarily of government contract receivables due from county, state, and federal granting agencies, and as a result, concentration of credit risks with respect to such receivables is limited.

During the year ended June 30, 2024, The People Concern earned \$44,735,419 (43% of total revenue and support) under intensive case management programs administered by the Los Angeles County Department of Health Services. The People Concern also earned \$20,718,168 (20% of total revenue and support) under homeless services programs administered by the Los Angeles Homeless Services Authority (LAHSA) (with a portion passed through the U.S. Department of Housing and Urban Development) and \$15,671,305 (15% of total revenue and support) under mental health services administered by the Los Angeles County Department of Mental Health. Revenues earned from government contracts amounted to 86% of total revenues and support for the year ended June 30, 2024. The People Concern anticipates that it will continue to run these programs. There can be no assurance that The People Concern will be able to obtain future grant agreements upon the expiration of the current term of the contracts.

## THE PEOPLE CONCERN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (h) CONTRIBUTIONS AND PLEDGES RECEIVABLE

The People Concern recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest are received. The People Concern reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Pledges receivable are discounted to their present value when payments are expected in future periods exceeding one year. These discounts are recorded as reductions to contribution revenue and pledges receivable, and are adjusted annually. The People Concern evaluated the collectability of pledges receivable and determined that an allowance for uncollectible pledges receivable of \$90,035 was necessary at June 30, 2024.

Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Intentions to give are not included as support until payments are made or enforceable promises to give are executed.

##### (i) DEFERRED RENT ASSET

In September 2003, The People Concern entered into a 55-year lease with the City of Santa Monica to lease the Cloverfield Services Center. Under the terms of the lease, annual rent of \$1 is due for the 55-year term of the lease. The City of Santa Monica purchased the building, at a cost of \$5,000,000 with the specific intent to lease it to The People Concern under this arrangement. Accordingly, the below-market lease was recorded as a deferred rent asset with a corresponding temporarily restricted contribution recognized. The deferred rent asset is being amortized over the period of the lease, and amortization expense for the year ended June 30, 2024 was \$90,909.

##### (j) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation, if donated. Depreciation is provided over the estimated useful lives of the related assets on a straight-line basis as follows:

Buildings and Improvements	23-40 Years
Furniture and Fixtures	5-10 Years
Automobiles and Trucks	5 Years
Leasehold Improvements	Lesser of Useful Life or Lease Term (Including Extensions)

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year. Expenditures for property and equipment acquired under certain grant agreements are expensed when incurred because the grantor retains title to such assets.

## THE PEOPLE CONCERN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### **(k) LONG-LIVED ASSETS**

The People Concern reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flow is less than the carrying amount of the assets, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2024.

##### **(l) RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

The People Concern recognizes and measures its leases in accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic No. 842, *Leases*.

The People Concern is a lessee in certain operating leases for housing and office space. The People Concern determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The People Concern recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise The People Concern uses the risk-free rates.

The ROU asset is subsequently measured throughout the lease term at the amount of the re-measured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The People Concern has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that The People Concern is reasonably certain to exercise. The People Concern recognizes lease cost associated with short-term leases on a straight-line basis over the lease term.

# THE PEOPLE CONCERN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (m) CONTRIBUTIONS IN-KIND

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

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

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

A substantial number of volunteers have donated significant amounts of their time to The People Concern. Some of the services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized as revenue.

For the year ended June 30, 2024, contributions in-kind, which benefit all program services, consist of the following:

<b>Category</b>	<b>Valuation Methodology</b>	<b>Amount</b>
Occupancy	Price per square foot based on market rates in neighboring areas	\$ 753,688
<b>Direct Program Services:</b>		
Household Goods, Clothing, Hygiene Products and Other	Wholesale prices of identical or similar products	61,632
<b>TOTAL</b>		<u>\$ 815,320</u>

# THE PEOPLE CONCERN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (n) INCOME TAXES

The People Concern is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. People Co, LLC is a single-member title-holding LLC and considered a disregarded entity for Federal tax purposes.

In accordance with the FASB ASC Topic No. 740, *Uncertainty in Income Taxes*, The People Concern recognizes the impact of tax positions in the consolidated financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2024, The People Concern performed an evaluation of uncertain tax positions and did not identify any matters that would require recognition in the consolidated financial statements or which might have an effect on its tax-exempt status.

#### (o) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The People Concern has adopted the fair value standard that clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Further, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The FASB ASC 820 establishes a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.
- Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

For cash, grants, contracts and other receivables, pledges receivable, accounts payable and accrued liabilities, the carrying amounts represent a reasonable estimate of fair values due to their short-term maturity. Investments are reflected at estimated fair value as described in Note 3. The carrying value of the line of credit and notes payable approximates its fair value at June 30, 2024.

# THE PEOPLE CONCERN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (p) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing The People Concern's programs and other activities have been presented in the consolidated statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The People Concern uses full-time equivalents to allocate indirect and shared costs.

#### (q) USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

#### (r) COMPARATIVE TOTALS

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with The People Concern's consolidated financial statements for the year ended June 30, 2023, from which the summarized information was derived.

#### (s) NEW ACCOUNTING PRONOUNCEMENTS

In June 2016, FASB issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss impairment methodology previously used for certain financial instruments with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates in their measurement. The guidance has subsequently been amended through a series of targeted ASUs. The People Concern implemented this ASU during the year ended June 30, 2024; however, it had no material impact on the consolidated financial statements.

#### (t) SUBSEQUENT EVENTS

The People Concern has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of June 30, 2024 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through March 28, 2025, the date these consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred except as described in Note 6.

# THE PEOPLE CONCERN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

### NOTE 3 - INVESTMENTS

The following table presents information about The People Concern's investments that are measured at fair value on a recurring basis at June 30, 2024 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2024	Fair Value Measurements Using		
		Significant Other Observable Inputs (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities and Equity Mutual Funds	\$ 2,652,892	\$ 2,652,892	\$ -	\$ -
Fixed Income Mutual Funds	1,305,217	1,305,217	-	-
Real Estate Investment Trusts	9,469	9,469	-	-
Membership Interest	350,000	-	-	350,000
<b>TOTAL INVESTMENTS</b>	<b>\$ 4,317,578</b>	<b>\$ 3,967,578</b>	<b>\$ -</b>	<b>\$ 350,000</b>

The fair values of investments within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

The fair value of the membership interest was determined based on subscription interest sales of similar interests, which is considered to be a reasonable approximation of fair value at June 30, 2024.

Investments at June 30, 2024 include funds held in trust of \$2,397,921 restricted for use by The People Concern's Sojourn program.

In addition, The People Concern is either the managing general partner or LLC member of the following permanent supportive housing projects. The People Concern will be responsible for providing all social services for the tenants of the projects, when complete, for which The People Concern will receive an annual social services fee. As described in Note 2(e), The People Concern will account for these investments using the equity method of accounting.

	Membership Interest	Initial Investment	Project
Lamp Lodge LP	0.005%	\$ -	Lamp Lodge, Los Angeles
When Life Hands You Lemons, LP	0.005%	50	Kensington Campus, Lancaster
When Life Hands You More Lemons, LP	0.005%	50	Kensington Campus, Lancaster
No More Lemons, LP	0.005%	-	Kensington Campus, Lancaster
Neighborhood Works 9502 Purchasing, L.P. (held through Watts PSH, LLC)	0.005%	2	Watts Works, Compton
1043 Harvard, L.P. (held through Harvard PSH LLC)	0.048%	-	Harvard Gardens, Los Angeles
PSH Colden, LLC (held through The People Concern PSH LLC)	0.001%	-	820 West Colden Avenue, Los Angeles
828 Anaheim PSH 5 LP (held through 828 Anaheim PSH5 LLC)	2.000%	2	828 W Anaheim St., Wilmington
728 Lagoon PSH 3 LP (held through 728 Lagoon PSH 3 LLC)	2.000%	2	728 N Lagoon Avenue, Wilmington

# THE PEOPLE CONCERN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

### NOTE 3 - INVESTMENTS (continued)

The People Concern has also guaranteed debt of 828 Anaheim PSH 5 LP in the total amount of \$2,800,000 through the issuance of two guarantees dated May 10, 2022 and July 15, 2022 in the amounts of \$1,175,000 and \$1,625,000, respectively.

### NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable at June 30, 2024 are expected to be collected as follows:

Within One Year	\$ 801,665
Within Two to Five Years	<u>2,091,567</u>
<b>TOTAL PLEDGES RECEIVABLE</b>	<b>2,893,232</b>
Less: Discount at 3.0%	(53,421)
Less: Allowance for Uncollectible Pledges Receivable	<u>(90,035)</u>
<b>TOTAL PLEDGES RECEIVABLE (NET)</b>	<b><u>\$ 2,749,776</u></b>

### NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2024:

Land	\$ 9,638,888
Buildings and Improvements	33,898,869
Furniture and Equipment	2,163,343
Leasehold Improvements	19,291,075
Construction in Progress	<u>16,649,398</u>
<b>TOTAL</b>	<b>81,641,573</b>
Less: Accumulated Depreciation	<u>(15,583,337)</u>
<b>PROPERTY AND EQUIPMENT (NET)</b>	<b><u>\$ 66,058,236</u></b>

Depreciation expense for the year ended June 30, 2024 was \$1,480,713. The estimated cost to complete the construction in progress is approximately \$10,910,000.

Included in buildings and improvements are \$7,946,457 of development costs that are subject to a fifteen-year permitted use restriction and \$14,520,000 that are subject to specific conditions as detailed in Note 7.

# THE PEOPLE CONCERN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

### NOTE 6 - LINE OF CREDIT

At June 30, 2024 The People Concern has a secured revolving bank line of credit facility of \$8,000,000 (secured by all real and personal property) bearing interest at the bank's prime rate plus 0% with an interest rate floor rate of 4.50%. At June 30, 2024, \$7,455,860 was outstanding on the line of credit. The line of credit contains various covenants, including a minimum debt service coverage ratio and a minimum liquidity requirement. At June 30, 2024, The People Concern was in compliance with these covenants.

On June 13, 2024, The People Concern secured a new revolving bank line of credit facility of \$9,000,000 (secured by all real and personal property) with a term through June 13, 2025. This line of credit bears interest at the prime rate plus 0% with an interest rate floor rate of 6.50%. At June 30, 2024, there was no balance outstanding on this line of credit. On July 26, 2024, subsequent to year-end, this new line of credit was used to pay off the prior line of credit balance. The line of credit contains various covenants, including a minimum liquidity requirement and a minimum net assets without donor restrictions requirement. At June 30, 2024, The People Concern was in compliance with these covenants.

The prime rate at June 30, 2024 was 8.50%

### NOTE 7 - NOTES PAYABLE

Notes payable consists of the following at June 30, 2024:

#### NOTES PAYABLE - GOVERNMENT AGENCIES:

Promissory note in favor of the City of Los Angeles dated December 14, 2020 in the original principal amount of \$10,580,000 to fund the purchase of a Project Homekey site located at 9250 Airport Boulevard in Los Angeles with 0% interest accruing during the term of the note, and a full balloon payment of the principal amount of the note due upon the earlier of (a) closing of construction financing for conversion to permanent housing, or (b) five years from execution of the note. A deed of trust secures amounts due under the note and a regulatory agreement, with the City of Los Angeles named as beneficiary, restricts the use of the property to interim or permanent supportive/affordable housing for fifty-five years of project operations, with a requirement to use the property for interim housing for an initial period of three to five years, and with any plans for future conversion to permanent housing subject to review and approval by the City of Los Angeles.

\$ 10,580,000

# THE PEOPLE CONCERN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

### NOTE 7 - NOTES PAYABLE (continued)

#### NOTES PAYABLE - GOVERNMENT AGENCIES: (continued)

Promissory note in favor of the City of Los Angeles dated December 14, 2020 in the original principal amount of \$3,940,000 to fund the purchase of a Project Homekey site located at 4701 West Adams Boulevard in Los Angeles with 0% interest accruing during the term of the note, and a full balloon payment of the principal amount of the note due upon the earlier of (a) closing of construction financing for conversion to permanent housing, or (b) five years from execution of the note. A deed of trust secures amounts due under the note and a regulatory agreement, with the City of Los Angeles named as beneficiary, restricts the use of the property to interim or permanent supportive/affordable housing for fifty-five years of project operations, with a requirement to use the property for interim housing for an initial period of three to five years, and with any plans for future conversion to permanent housing subject to review and approval by the City of Los Angeles.

\$ 3,940,000

Non-interest bearing note payable to the City of Los Angeles in the original principal amount of \$1,367,150 to fund the Village renovation. The renovations were completed by the end of the year ended June 30, 2020. Principal repayment is in the form of services to the homeless and those transitioning out of homelessness at a rate of \$91,144 per annum over the 15-year term through 2035.

1,002,574

Note payable to the City of Santa Monica in the original principal amount of \$1,200,000, entered into in September 2003, collateralized by the Cloverfield Services Center in Santa Monica, with principal and interest at 5.98% due in annual installments from residual receipts (as defined in the loan agreement) from the Center as long as the Center is used to provide congregate housing and emergency shelter for very low income persons. The loan is forgivable at the end of the 55-year term.

1,200,000

Non-interest bearing note payable to the City of Santa Monica as successor to the Redevelopment Agency of the City of Santa Monica in the original principal amount of \$1,197,112, entered into in September 2003, collateralized by the Cloverfield Services Center in Santa Monica. The note is forgivable annually over the 55-year term provided the Center is used to provide congregate housing and emergency shelter for very low income persons.

759,437

#### **TOTAL NOTES PAYABLE - GOVERNMENT AGENCIES**

\$ 17,482,011

## THE PEOPLE CONCERN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

#### NOTE 7 - NOTES PAYABLE (continued)

It is not anticipated that The People Concern will have any residual receipts on the operations of the Cloverfield Services Center that will activate the requirement to make cash payments on the loan from the City of Santa Monica. It is also anticipated that, for the foreseeable future, the Village will continue to operate as an emergency shelter, transitional housing facility or safe haven and that the Cloverfield Services Center will continue to provide congregate housing and emergency shelter for very low income persons. Contingent interest on the note payable to the City of Santa Monica amounted to \$1,970,181 at June 30, 2024.

#### NOTES PAYABLE - BANKS AND OTHER:

Note payable to a bank in the original principal amount of \$5,500,000, secured by a deed of trust over properties in Santa Monica and Los Angeles. The note bears interest at a fixed rate of 3.95% per annum and matures in October 2047 with monthly principal and interest payments of \$26,227. The note contains various covenants, including a minimum debt service coverage ratio and a minimum liquidity requirement. \$ 4,765,705

Note payable to a bank in the original principal amount of \$344,000, secured by a deed of trust over the Sojourn property. The note bears interest at a fixed rate of 7.375% per annum and matures in January 2045 with monthly principal and interest payments of \$1,784. 285,695

**TOTAL NOTES PAYABLE - BANKS AND OTHER** 5,051,400

**TOTAL NOTES PAYABLE** \$ 22,533,411

Future maturities of notes payable are as follows:

#### Year Ended June 30

2025	\$	247,054
2026		14,772,602
2027		261,145
2028		266,789
2029		270,639
Thereafter		<u>6,715,182</u>
<b>TOTAL</b>	<b>\$</b>	<b><u><u>22,533,411</u></u></b>

Interest expense on notes payable - government and other for the year ended June 30, 2024 was \$216,127.

## THE PEOPLE CONCERN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

#### NOTE 8 - EMPLOYEE BENEFIT PLANS

The People Concern currently offers two retirement plans for its employees as noted below:

The People Concern offers its employees the opportunity to participate in a 403(b) retirement plan, which represents an annuity contract purchased from VOYA. Employees are eligible to contribute to the plan immediately upon hire and may contribute a maximum amount as permitted by law per year. Employer contributions to the plan are not required. There were no employer contributions made to the plan during the year ended June 30, 2024.

Lamp had established a profit sharing plan for its full time employees. The plan provided for annual contributions to be made at the discretion of the Board of Directors. Since November 2010 Lamp also had a 403(b) tax-sheltered annuity plan. This plan covered all employees who normally worked 20 hours a week or more and had one year of service. Lamp contributed 100% of eligible employee contributions up to 2.5% of compensation. The profit sharing plan and the 403(b) plan were not offered to employees once OPCC and Lamp merged. Lamp employees enrolled in the Valic plan prior to the merger, and those who elected to continue contributions, are permitted to do so. There were no employer contributions made to the plan during the year ended June 30, 2024t.

All eligible employees of The People Concern are offered the VOYA plan at this time and the Lamp plan is only available for those employees who were participating in the plan when the merger between OPCC and Lamp occurred.

#### NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2024:

Subject to the Passage of Time:	
Time Restricted	\$ 8,496,457
Subject to Expenditure for Specified Purpose:	
Sojourn	6,837,211
Housing	4,896,080
Contributed Rent	3,113,636
Outreach and Engagement	1,017,894
Health and Wellness	585,537
Kensington Campus	470,406
Other	76,565
	<hr/>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>\$ 25,493,786</b>
	<hr/>

## THE PEOPLE CONCERN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

#### NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2024:

Expiration of Specified Time Period:	
Time Restriction	\$ 986,155
Satisfaction of Purpose Restrictions:	
Housing	4,216,629
Contributed Rent	844,597
Other	963,836
Outreach and Engagement	760,439
Health and Wellness	520,920
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b>\$ 8,292,576</b>

#### NOTE 10 - LEASES

The People Concern, as lessee, leases various facilities and equipment under agreements which are accounted for as operating leases. These operating leases expire at various dates through September 2041. As of June 30, 2024, The People Concern recognized \$23,180,207 of ROU assets and \$23,815,816 of related lease liabilities for the contracts that are classified as operating leases. Lease cost for the year ended June 30, 2024 was \$3,779,805, which is included in occupancy expense in the consolidated statement of functional expenses.

Weighted-average remaining lease term and weighted-average discount rate were as follows during the year ended June 30, 2024:

Weighted-Average Lease Term	10.32 years
Weighted-Average Discount Rate	3.23%

Maturities of operating lease liabilities as of June 30, 2024 are as follows:

#### Years Ending June 30

2025	\$ 3,675,854
2026	3,745,258
2027	3,392,519
2028	2,909,847
2029	1,996,887
Thereafter	12,304,310
<b>TOTAL FUTURE LEASE PAYMENTS</b>	<b>28,024,675</b>
Less: Imputed Interest	(4,208,859)
<b>TOTAL</b>	<b>\$ 23,815,816</b>

# THE PEOPLE CONCERN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

### **NOTE 10 - LEASES** (continued)

The People Concern also leases certain supportive housing units and equipment under month-to-month operating leases.

The People Concern, as lessor, leases to several tenants pursuant to lease agreements classified as month-to-month operating leases. Rental income from these lease agreements, which are further disclosed in Note 12, totaled \$2,237,898 for the year ended June 30, 2024.

### **NOTE 11 - COMMITMENTS AND CONTINGENCIES**

#### **(a) LEGAL PROCEEDINGS**

In the ordinary course of conducting its business, The People Concern becomes involved in various legal proceedings. Some of these proceedings may result in judgments being assessed against The People Concern which, from time to time, may have an impact on changes in net assets. The People Concern recognizes a liability related to legal claims when the loss contingency is both probable and reasonably estimable.

#### **(b) CONTRACTS**

The People Concern's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and accordingly no provision has been made in these consolidated financial statements, except as described in Note 2(f).

#### **(c) SOCIAL SERVICES AGREEMENTS**

The People Concern has entered into various agreements to provide social services to permanent supporting housing projects.

## THE PEOPLE CONCERN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

#### NOTE 12 - RELATED PARTY TRANSACTIONS

FlyawayHomes is a nonprofit affordable housing developer that has introduced a scalable, replicable and cost-effective model for building permanent supportive housing (PSH) in a third of the time and for a third of the cost per person of the traditional development model.

Certain members of The People Concern's Board of Directors have invested in properties developed by FlyawayHomes. In addition, certain members of The People Concern's Board of Directors serve in pro-bono roles as the Founder and Chairman, the President and Chief Executive Officer, and the Founder and Chief Financial Officer of FlyawayHomes.

Through People Co, LLC, The People Concern has entered into a lease agreement with PSH Colden, LLC, a PSH property developed by FlyawayHomes. In addition to serving as the master lessee of the property, The People Concern is the service provider for clients residing at that location. There are also members of the Board of Directors of The People Concern that have invested in the PSH Colden, LLC property. The term of this master lease is September 1, 2018 through December 31, 2038, with rental payments of \$23,150 per month due in advance. All utilities are paid by the landlord. An annual increase equivalent to the annual Consumer Price Index increase published by the Bureau of Labor Statistics shall begin on January 1, 2020 and continue through the lease term.

Through People Co, LLC, The People Concern has entered into a lease agreement with 82<sup>nd</sup> Street Development PSH 2 LP, a PSH property developed by FlyawayHomes. In addition to serving as the master lessee of the property, The People Concern is the service provider for clients residing at that location. There are also members of the Board of Directors of The People Concern that have invested in the 82<sup>nd</sup> Street Development PSH 2 LP property. The master lease is dated June 29, 2021 and the lease commenced on the earlier of the issuance of the certificate of occupancy for the property or the date of the first subtenant occupying the property. The lease term ends on September 30, 2041. The People Co, LLC has two successive options to extend the term for a period of 10 years each. The expected monthly rent for the property is calculated at \$36,208.

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

In addition, during the year ended June 30, 2024, The People Concern advanced \$174,987 for pre-development and construction costs related to certain FlyawayHomes projects. These advances are included in accounts receivable and are expected to be reimbursed in full when the projects are funded. At June 30, 2024, total accounts receivable related to advances amounted to \$957,297.

The People Concern has adopted a conflict-of-interest policy and at meetings of the Board of Directors of The People Concern, any Board members with potential conflicts of interest recuse themselves from any vote related to FlyawayHomes.

## THE PEOPLE CONCERN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

#### NOTE 13 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by The People Concern at June 30, 2024 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the consolidated statement of financial position are summarized in the following table:

Financial Assets at June 30, 2024:	
Cash and Cash Equivalents	\$ 247,197
Investments (Excluding Membership Interest)	3,967,578
Grants, Contracts, and	
Other Receivable (Net of Contract Advances)	15,077,142
Pledges Receivable	<u>2,749,776</u>
<b>TOTAL FINANCIAL ASSETS</b>	
<b>AT JUNE 30, 2024</b>	<b>22,041,693</b>
Less Amounts Not Available to Be Used Within One Year, Due to:	
Donor-Imposed Restrictions:	
Funds Held with Purpose Restrictions	(11,213,511)
Pledges Receivable Restricted by Purpose and/or Time	(2,749,776)
Board Designations:	
Board Designated Reserve Fund	<u>(1,283,214)</u>
<b>FINANCIAL ASSETS AVAILABLE TO</b>	
<b>MEET GENERAL EXPENDITURES</b>	
<b>WITHIN ONE YEAR</b>	<b><u>\$ 6,795,192</u></b>

The People Concern regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The People Concern is substantially supported by government grants and contracts, which can result in The People Concern having to carry significant accounts receivable balances. As part of The People Concern's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The People Concern has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a \$8,000,000 line of credit facility, of which \$544,140 was available for borrowing at June 30, 2024. Subsequent to year-end, a new line of credit was executed as disclosed in Note 6, with a total principal amount of \$9,000,000. The People Concern also has a Board designated reserve fund of \$1,283,214 that can be drawn upon to fund unanticipated liquidity needs.

**THE PEOPLE CONCERN**

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2024

**THE PEOPLE CONCERN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2024

	Federal Assistance Listing Number	Contract Number	Governmental Revenue Federal	Program Expenditures from Governmental Grants
<b>FEDERAL AWARDS</b>				
Federal Grantor/Passed Through Grantor/Program or Cluster Title				
<b>U.S. Department of Housing and Urban Development:</b>				
Pass-through Housing and Community Investment Department - City of Los Angeles				
Community Development Block Grant - Survivors First	14.218	C-138911	\$ 9,594	\$ 9,594
Community Development Block Grant - DVSO	14.218	C-136716	152,039	152,039
Pass-through Los Angeles Community Development Commission				
Community Development Block Grant - Sojourn	14.218	112316	28,359	28,359
<b>Total CDBG - Entitlements Grants Cluster</b>			<u>189,992</u>	<u>189,992</u>
Direct Award				
Continuum of Care Program - Dual Diagnosis (a)	14.267	CA0460L9D002215	108,838	108,838
Pass-through Los Angeles Homeless Services Authority				
Continuum of Care Program - Safe Haven (a)	14.267	CA0527L9D002215	584,327	584,327
Continuum of Care Program - Lodge SHP (a)	14.267	CA0490L9D001914/ CA0409L9D001915	345,664	345,664
<b>Total Continuum of Care Program, 14.267</b>			<u>1,038,829</u>	<u>1,038,829</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>1,228,821</u>	<u>1,228,821</u>
<b>U.S. Department of Justice:</b>				
Pass-through California Emergency Management Agency/VOCA				
Domestic Violence Assistance Program/VOCA - Legal Assistance Program	16.575	XL22 05 1197	81,517	81,517
Domestic Violence Assistance Program/VOCA - Sojourn	16.575	DV 22 37 1197/ DV 23 38 1197	313,283	313,283
Pass-through LA County DA-California Emergency Management Agency/VOCA				
County Victim Services (XC) Program/VOCA	16.575	DV10-2023/ DV10-2024	51,294	51,294
<b>Total U.S. Department of Justice, 16.575</b>			<u>446,094</u>	<u>446,094</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 1,674,915</u>	<u>\$ 1,674,915</u>

(a) Audited as a major program.

See Independent Auditor's Report

## THE PEOPLE CONCERN

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

#### Notes to the Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2024:

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of The People Concern under programs of the Federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The People Concern, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The People Concern.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**3. Indirect Cost Rate**

The People Concern has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**4. Awards to Subrecipients**

The People Concern has not provided any Federal awards to subrecipients from the Federal expenditures presented in the Schedule.

See Independent Auditor's Report

**THE PEOPLE CONCERN**

**SCHEDULE OF EXPENDITURES OF AWARDS  
FROM THE LOS ANGELES HOUSING AND  
COMMUNITY INVESTMENT DEPARTMENT**

Year Ended June 30, 2024

	Federal Assistance Listing Number	Contract Number	Governmental Revenue Federal	Governmental Revenue Non-Federal	Program Expenditures from Governmental Grants
<b>U.S. Department of Housing and Urban Development:</b>					
Pass-through Housing and Community Investment Department - City of Los Angeles					
Community Development Block Grant - Survivors First	14.218	C-138911	\$ 9,594	\$ -	\$ 9,594
Community Development Block Grant - DVSO	14.218	C-136716	152,039	176,675	328,714
<b>TOTAL AWARDS</b>			<u>\$ 161,633</u>	<u>\$ 176,675</u>	<u>\$ 338,308</u>

**Notes to the Schedule of Expenditures of Awards from the Los Angeles Housing and Community Investment Department for the Year Ended June 30, 2024:**

**1. Awards to Subrecipients**

The People Concern has not provided any awards to subrecipients from the expenditures above.

**2. Award Period**

The contract period is July 1, 2023 through June 30, 2024, which is the same as the audit period.

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