

THE PEOPLE CONCERN

REPORTS REQUIRED BY
TITLE 2 U.S. CODE OF FEDERAL REGULATIONS
(CFR) PART 200, UNIFORM ADMINISTRATIVE
REQUIREMENTS, COST PRINCIPLES, AND AUDIT
REQUIREMENTS FOR FEDERAL AWARDS
(UNIFORM GUIDANCE)

YEAR ENDED JUNE 30, 2020

THE PEOPLE CONCERN

REPORTS REQUIRED BY TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR) PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)

YEAR ENDED JUNE 30, 2020

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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 the Board of Directors
The People Concern

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The People Concern, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as finding 2020-001 that we consider to be a significant deficiency.

To the Board of Directors
The People Concern

Compliance and Other Matters

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

The People Concern's Response to Finding

The People Concern's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The People Concern's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Green Hasson & Janks LLP

March 15, 2021
Los Angeles, California



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The People Concern

Report on Compliance for Each Major Federal Program

We have audited The People Concern's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of The People Concern's major federal programs for the year ended June 30, 2020. The People Concern's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The People Concern's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The People Concern's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, The People Concern complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

To the Board of Directors
The People Concern

Report on Internal Control over Compliance

Management of The People Concern is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The People Concern's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The People Concern's internal control over compliance.

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

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

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.

Green Hasson & Janks LLP

March 15, 2021
Los Angeles, California

THE PEOPLE CONCERN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Are any material weaknesses identified? ☐ Yes ☒ No
- Are any significant deficiencies identified? ☒ Yes ☐ None reported

Is any noncompliance material to combined financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Are any material weaknesses identified? ☐ Yes ☒ No
- Are any significant deficiencies identified? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.267	U.S. Department of Justice: Direct Award Continuum of Care Program Pass-through Housing Authority of the County of Los Angeles Continuum of Care Program Pass-through Los Angeles Homeless Services Authority Continuum of Care Program Pass-through Housing Authority of the City of Los Angeles Continuum of Care Program

THE PEOPLE CONCERN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS (continued)

Identification of major federal programs: (continue)

Dollar threshold used to distinguish
between Type A and Type B
programs:

\$750,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2020-001:

Criteria: Management is responsible for establishing appropriate controls to ensure transactions are accounted for in the correct accounting period and in accordance with contractual terms.

Condition and Context: The year-end trial balance did not include the release of liability under a note payable, nor did it include the removal of the net book value of the leasehold improvements associated with the transfer of a related lease. In addition, management identified a late adjustment to construction in progress related to the development of a permanent supporting housing project.

Cause: In both instances the cause was the lack of timely communication to the accounting department.

Effect or Potential Effect: In the first instance, revenue was understated while liabilities and property and equipment balances were overstated by \$1,000,000 and \$439,775, respectively. In the second instance, construction in progress and grant revenue were understated by \$6,233,536.

Recommendation: Management should ensure that executed contractual agreements are timely communicated to the accounting department and that the maintenance of permanent supportive housing documents be centralized to ensure accurate and timely recording in the financial records.

Views of Responsible Officials and Planned Corrective Action: While the findings noted above did not pertain to compliance with government contracts, they did indicate a deficiency in communication between the Contracts Department and the Finance Department that resulted in significant adjustments to The People Concern's financial statements. The two departments have now set up regular meetings to review new and existing housing development contracts, to identify any that could affect the financial statements, to make sure that these financial activities are reflected accurately on the books, and to ensure that similar issues do not arise in the future.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year audit findings.



CORRECTIVE ACTION PLAN (CAP)

Per 2 CFR 200.511 The People Concern must prepare a corrective action plan when the audit is completed for each audit finding in the current year's audit report. The auditee must proceed with corrective action as soon as possible, beginning no later than upon receipt of the auditor's report (200.521(d)). The items detailed in this CAP address each specific audit finding, the corrective action(s), the responsible party, and the anticipated date of completion.

FINDING	CRITERIA/OBSERVATION	MANAGEMENT'S RESPONSE/CORRECTIVE ACTION	RESPONSIBLE PARTY	TARGET COMPLETION DATE
2020-001	Management is responsible for establishing appropriate controls to ensure transactions are accounted for in the correct accounting period and in accordance with contractual terms. The year-end trial balance did not include the release of liability under a note payable, nor did it include the removal of the net book value of the leasehold improvements associated with the transfer of a related lease. In addition, management identified a late adjustment to construction in progress related to the development of a permanent supporting housing project.	While the findings did not pertain to compliance with government contracts, they did indicate a deficiency in communication between the Contracts Department and the Finance Department that resulted in significant adjustments to The People Concern's financial statements. The two departments have now set up regular meetings to review new and existing housing development contracts, to identify any that could affect the financial statements, to make sure that these financial activities are reflected accurately on the books, and to ensure that similar issues do not arise in the future.	Finance Department and Administration-Contracts Department	Ongoing – Corrective action has been implemented, both Finance and Contracts meet on a regular basis, no less than monthly to discuss new and ongoing capital projects. All contracts are routed to the Finance Department

APPENDIX

THE PEOPLE CONCERN

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

THE PEOPLE CONCERN
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The People Concern

Report on the Financial Statements

We have audited the accompanying financial statements of The People Concern (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The People Concern as of June 30, 2020, 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.

To the Board of Directors
The People Concern

Emphasis of Matter

As discussed in Note 13 to the financial statements, the recent COVID-19 pandemic in the United States and world-wide has resulted in reduced economic activity and market declines. As the extent and duration of the future impact to The People Concern are uncertain, no adjustments were necessary to the financial statements, and our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited The People Concern's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2021 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 15, 2021
Los Angeles, California

THE PEOPLE CONCERN

STATEMENT OF FINANCIAL POSITION

June 30, 2020

With Summarized Totals at June 30, 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 2,440,380	\$ 678,563
Restricted Cash - Held for Clients	1,799,109	481,730
Investments	3,771,806	4,142,353
Accounts and Other Receivables (Net)	11,359,441	9,669,786
Pledges Receivable (Net)	1,690,538	1,139,064
Prepaid Expenses and Other Assets	1,557,969	1,206,387
Deferred Rent	3,477,273	3,568,182
Property and Equipment (Net)	33,384,250	21,557,939
TOTAL ASSETS	\$ 59,480,766	\$ 42,444,004
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable	\$ 3,192,797	\$ 2,921,830
Accrued Liabilities	3,138,133	2,263,656
Funds Held on Behalf of Clients	1,799,109	481,730
Line of Credit	-	2,000,000
Contract Advances	3,516,949	3,487,186
Contract Reserves	1,074,840	1,175,977
Notes Payable	15,631,414	9,826,504
TOTAL LIABILITIES	28,353,242	22,156,883
NET ASSETS:		
Without Donor Restrictions:		
Undesignated	\$ 7,172,249	\$ 7,172,521
Board Designated	809,083	782,398
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	7,981,332	7,954,919
With Donor Restrictions	23,146,192	12,332,202
TOTAL NET ASSETS	31,127,524	20,287,121
TOTAL LIABILITIES AND NET ASSETS	\$ 59,480,766	\$ 42,444,004

The Accompanying Notes are an Integral Part of These Financial Statements

THE PEOPLE CONCERN

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

With Summarized Totals for the Year Ended June 30, 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT:				
Government Grants and Contracts	\$ 46,619,060	\$ 10,437,060	\$ 57,056,120	\$ 40,167,827
Contributions	2,667,523	5,491,363	8,158,886	7,603,007
Special Events (Net of Direct Donor Benefit Expenses of \$74,879 in 2020 and \$58,527 in 2019)	430,361	238,124	668,485	220,209
Contributions In-Kind	116,608	686,652	803,260	1,543,947
Investment Return (Net)	(381,763)	129,254	(252,509)	341,258
Rental and Other Income	1,331,201	-	1,331,201	877,022
Forgiveness of Notes Payable	1,053,896	-	1,053,896	53,896
Loss on Disposal of Property and Equipment	(508,151)	-	(508,151)	-
Net Assets Released from Donor Restrictions	6,168,463	(6,168,463)	-	-
TOTAL REVENUE AND SUPPORT	57,497,198	10,813,990	68,311,188	50,807,166
EXPENSES:				
Program Services	53,158,706	-	53,158,706	46,746,543
Management and General	2,748,232	-	2,748,232	2,618,213
Fundraising	1,563,847	-	1,563,847	1,385,188
TOTAL EXPENSES	57,470,785	-	57,470,785	50,749,944
CHANGE IN NET ASSETS	26,413	10,813,990	10,840,403	57,222
Net Assets - Beginning of Year	7,954,919	12,332,202	20,287,121	20,229,899
NET ASSETS - END OF YEAR	\$ 7,981,332	\$ 23,146,192	\$ 31,127,524	\$ 20,287,121

The Accompanying Notes are an Integral Part of These Financial Statements

THE PEOPLE CONCERN

STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2020 With Summarized Totals for the Year Ended June 30, 2019

	2020										
	Program Services							Management and General	Fundraising	Total	2019 Total
	Housing	Mental Health	Domestic Violence	Outreach and Engagement	Wellness and Life Skills	Other	Total				
Salaries	\$ 13,425,888	\$ 4,471,965	\$ 1,233,766	\$ 4,379,677	\$ 999,789	\$ 1,323,718	\$ 25,834,803	\$ 1,330,430	\$ 1,031,054	\$ 28,196,287	\$ 23,079,587
Payroll Taxes and Employee Benefits	2,964,303	981,016	266,131	1,012,676	241,240	260,674	5,726,040	132,460	163,036	6,021,536	5,168,211
TOTAL PERSONNEL COST	16,390,191	5,452,981	1,499,897	5,392,353	1,241,029	1,584,392	31,560,843	1,462,890	1,194,090	34,217,823	28,247,798
Advertising	51,143	11,620	3,263	11,179	2,819	3,482	83,506	3,396	2,632	89,534	42,298
Bad Debt Expense	-	-	-	-	-	-	-	-	-	-	245,128
Bank Fees	-	-	-	-	-	-	-	205,109	-	205,109	104,153
Depreciation	374,353	96,563	50,147	94,570	21,588	28,583	665,804	28,728	22,264	716,796	757,053
Direct Program Services	3,017,513	214,054	55,515	1,204,211	103,251	277,178	4,871,722	-	-	4,871,722	4,480,611
Fundraising and Events	-	-	-	-	-	-	-	-	21,370	21,370	29,895
Furniture and Equipment	506,382	99,377	101,491	349,972	43,283	21,004	1,121,509	2,950	20,120	1,144,579	908,533
Insurance	192,108	58,819	18,230	55,545	10,957	12,835	348,494	4,490	6,924	359,908	382,613
Licenses and Fees	15,729	6,647	3,322	13,750	212	14,311	53,971	16,548	39,538	110,057	190,521
Meetings and Conferences	98,027	19,022	8,485	17,825	3,822	4,274	151,455	10,433	15,330	177,218	209,669
Mileage and Parking	385,482	103,285	5,817	124,545	24,741	5,864	649,734	6,296	11,428	667,458	701,556
Miscellaneous Expenses	3,306	532	1,433	197	119	159	5,746	12,289	122	18,157	17,533
Mortgage Interest	100,931	33,618	24,096	32,925	7,516	9,951	209,037	10,002	7,751	226,790	276,315
Occupancy	1,698,082	544,589	22,625	608,452	14,808	454	2,889,010	78,966	1,048	2,969,024	2,731,689
Office Expenses	253,529	108,577	32,548	82,847	29,922	64,198	571,621	34,186	99,959	705,766	527,877
Professional Services	945,198	723,566	18,113	170,802	37,677	18,548	1,913,904	787,560	52,455	2,753,919	2,690,864
Repairs and Maintenance	460,174	66,359	63,335	78,997	34,775	91,556	795,196	19,211	15,691	830,098	1,012,544
Security	650,514	80,977	71,634	140,573	88,171	213,203	1,245,072	28,939	13,866	1,287,877	1,207,281
Subcontractor Expenses	2,539,342	-	-	2,104,816	-	-	4,644,158	-	-	4,644,158	4,650,422
Travel	6,144	2,580	478	1,933	-	-	11,135	4,438	-	15,573	21,891
Utilities	818,777	165,392	52,013	202,782	49,467	78,358	1,366,789	31,801	39,259	1,437,849	1,313,700
TOTAL 2020 FUNCTIONAL EXPENSES	\$ 28,506,925	\$ 7,788,558	\$ 2,032,442	\$ 10,688,274	\$ 1,714,157	\$ 2,428,350	\$ 53,158,706	\$ 2,748,232	\$ 1,563,847	\$ 57,470,785	
	92%						92%	5%	3%	100%	
TOTAL 2019 FUNCTIONAL EXPENSES							\$ 46,746,543	\$ 2,618,213	\$ 1,385,188		\$ 50,749,944
							92%	5%	3%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

THE PEOPLE CONCERN

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

With Summarized Totals for the Year Ended June 30, 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 10,840,403	\$ 57,222
Adjustments to Reconcile Change in Net Assets to Net Cash Used In Operating Activities:		
Depreciation	716,796	757,053
Realized and Unrealized Gains on Investments	335,349	(93,757)
Forgiveness of Notes Payable	(1,053,896)	(53,896)
Loss on Disposal of Property and Equipment	508,151	
Amortization of Deferred Rent	90,909	90,909
Donated Stock	(61,255)	(1,711,666)
Proceeds from Sale of Donated Stock	56,254	1,837,369
Realized Gain on Sale of Donated Stock	(317)	(125,703)
Donated Membership Interest	-	(300,000)
Donated Land	-	(470,406)
(Increase) Decrease in:		
Accounts and Other Receivables	(1,689,655)	(2,463,491)
Pledges Receivable	(551,474)	693,553
Prepaid Expenses and Other Assets	(351,582)	(327,087)
Increase (Decrease) in:		
Accounts Payable	270,967	1,898,808
Accrued Liabilities	874,477	299,524
Funds Held on Behalf of Clients	1,317,379	88,411
Contract Advances	29,763	1,808,332
Contract Reserves	(101,137)	189,363
NET CASH USED IN OPERATING ACTIVITIES	11,231,132	2,174,538
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(13,051,258)	(1,018,141)
Interest and Dividends Reinvested (Net)	(48,198)	(67,880)
Purchase of Investments	(1,368,692)	(2,874,043)
Proceeds on Sale of Investments	1,457,406	2,916,977
NET CASH PROVIDED BY INVESTING ACTIVITIES	(13,010,742)	(1,043,087)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (Repayments) Borrowings on Line of Credit	(2,000,000)	1,400,000
Borrowings on Notes Payable	6,968,150	
Payments on Notes Payable	(109,344)	(2,105,061)
NET CASH USED IN FINANCING ACTIVITIES	4,858,806	(705,061)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,079,196	426,390
Cash and Cash Equivalents - Beginning of Year	1,160,293	733,903
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,239,489	\$ 1,160,293
CASH AND CASH EQUIVALENTS INCLUDES:		
Cash and Cash Equivalents	\$ 2,440,380	\$ 678,563
Restricted Cash - Held for Clients	1,799,109	481,730
TOTAL CASH AND CASH EQUIVALENTS	\$ 4,239,489	\$ 1,160,293
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Interest	\$ 368,030	\$ 337,730

The Accompanying Notes are an Integral Part of These Financial Statements

THE PEOPLE CONCERN

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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, lifeskills 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) BASIS OF PRESENTATION

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

(b) 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 \$809,083 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 that 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 FINANCIAL STATEMENTS

June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) 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, 2020 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, 2020 amounted to \$1,799,109.

(d) 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 the statement of activities and represent 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 statement of financial position.

Included in investments is a 7.673% membership interest in 82nd Street Development, LLC, an entity whose purpose is to acquire, own, develop, and operate a permanent supportive housing project. The interest was received by The People Concern by donation and is valued at estimated fair value at the date of donation (June 12, 2019), which is considered to still be a reasonable approximation of fair value at June 30, 2020.

THE PEOPLE CONCERN

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) 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.

(e) ACCOUNTS AND OTHER RECEIVABLES

Accounts 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, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. 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 allowance 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, 2020, the allowance for uncollectible receivables was \$25,903.

A portion 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 statement of financial position.

THE PEOPLE CONCERN

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) CONCENTRATIONS

The People Concern places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. The People Concern has not incurred losses related to these investments and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The accounts and other receivables balance outstanding at June 30, 2020 consists primarily of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of The People Concern's receivables consist of earned fees from contracts granted by governmental agencies.

During the year ended June 30, 2020, The People Concern earned \$20,933,622 (34% 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 \$11,287,346 (18% of total revenue and support) under homeless services programs administered by the Los Angeles Homeless Services Authority (with a portion passed through the U.S. Department of Housing and Urban Development) and \$9,662,966 (16% of total revenue and support) under mental health services administered by the Los Angeles County Department of Mental Health. 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.

(g) 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.

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.

THE PEOPLE CONCERN

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) DEFERRED RENT

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, 2020 was \$90,909.

(i) 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.

(j) 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, 2020.

THE PEOPLE CONCERN

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) CONTRACT ADVANCES

During the year ended June 30, 2020, The People Concern received additional cash flow advances from the Los Angeles Homeless Services Authority (LAHSA) bringing the total advance balance to \$3,215,264 as of June 30, 2020, which is included in the contract advances balance of \$3,516,949 at June 30, 2020.

(l) CONTRACT RESERVES

Contract reserves at June 30, 2020, amounting to \$1,074,841, are comprised of estimated disallowances under government contracts or amounts due back to government agencies.

(m) PAYCHECK PROTECTION PROGRAM (PPP) LOAN

Management has elected to account for the forgivable loan received under the Paycheck Protection Program (PPP) provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act as a debt instrument and to accrue interest on the outstanding loan balance. Additional interest at a market rate (due to the stated interest rate of the PPP loan being below market) is not imputed, as transactions where interest rates are prescribed by governmental agencies are excluded from the scope of the accounting guidance on imputing interest. The proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven or The People Concern has been legally released or (2) The People Concern repays the loan to the lender.

(n) CONTRIBUTIONS IN-KIND

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed goods and services were valued at \$116,608 for the year ended June 30, 2020. Contributed facility usage was valued at \$686,652 for the year ended June 30, 2020.

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.

THE PEOPLE CONCERN

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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.

In accordance with the Financial Accounting Standards Board (FASB) ASC Topic No. 740, *Uncertainty in Income Taxes*, The People Concern recognizes the impact of tax positions in the 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, 2020, The People Concern performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

(p) 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 Financial Accounting Standards Board (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, accounts receivable, 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 notes payable approximates its fair value at June 30, 2020.

THE PEOPLE CONCERN

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing The People Concern's programs and other activities have been presented in the 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.

(r) USE OF ESTIMATES

The preparation of 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.

(s) COMPARATIVE TOTALS

The 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 financial statements for the year ended June 30, 2019, from which the summarized information was derived.

(t) NEW ACCOUNTING PRONOUNCEMENTS

In June 2018, FASB issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. The People Concern implemented this ASU during the year ended June 30, 2020. There was no significant impact to The People Concern's financial statements as a result of the implementation of the ASU.

THE PEOPLE CONCERN

NOTES TO FINANCIAL STATEMENTS June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* which is intended to reduce diversity in the presentation of restricted cash and restricted cash equivalents in the cash flow statement. The ASU requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows. The People Concern implemented this ASU during the year ended June 30, 2020. There was no significant impact to The People Concern's financial statements as a result of the implementation of the ASU.

In May 2014, FASAB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of accounting principles generally accepted in the United States of America and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on scope exceptions, and various other narrow aspects, as identified and addressed in such updates. For The People Concern, the ASU and subsequent amendments will be effective for the year ending June 30, 2021.

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the consolidated statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and providing additional information about the amounts recorded in the financial statements. For The People Concern, the ASU will be effective for the year ending June 30, 2023.

THE PEOPLE CONCERN

NOTES TO FINANCIAL STATEMENTS June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. For The People Concern, the ASU will be effective for the year ending June 30, 2022.

(u) SUBSEQUENT EVENTS

The People Concern has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2020 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through March 15, 2021, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

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, 2020 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2020	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	\$ 1,808,236	\$ 1,808,236	\$ -	\$ -
Fixed Income Mutual Funds	654,190	654,190	-	-
Corporate Bonds	540,664	-	540,664	-
U.S. Treasuries	237,893	-	237,893	-
Money Market Funds	48,621	48,621	-	-
Exchange Traded Funds	141,592	141,592	-	-
Real Estate Investment Trusts	40,610	40,610	-	-
Membership Interest	300,000	-	-	300,000
TOTAL INVESTMENTS	\$ 3,771,806	\$ 2,693,249	\$ 778,557	\$ 300,000

THE PEOPLE CONCERN

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 3 - INVESTMENTS (continued)

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 corporate bonds and U.S. treasuries within Level 2 inputs were determined by discounting the related cash flows based on current yields of similar instruments with comparable durations and considering the credit-worthiness of the issuer.

The fair value of the membership interest was determined based on subscription interest sales of similar interests at the date of assignment by the donor to The People Concern (June 12, 2019), which is considered to be a reasonable approximation of fair value at June 30, 2020.

The People Concern recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and Level 2 generally relate to whether a market becomes active or inactive. Transfers between Level 2 and Level 3 generally relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels during the year ended June 30, 2020.

Investments at June 30, 2020 include funds held in trust of \$1,940,217 restricted for use by The People Concern's Sojourn program.

In addition, The People Concern is the managing general partner 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(d), 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%	-	Watts Works, Compton
1043 Harvard, L.P. (held through Harvard PSH LLC)	0.048%	-	Harvard Gardens, Los Angeles

THE PEOPLE CONCERN

NOTES TO FINANCIAL STATEMENTS June 30, 2020

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable at June 30, 2020 are expected to be collected as follows:

Within One Year	\$ 1,009,538
In Two to Five Years	651,000
After Five Years	<u>30,000</u>
TOTAL PLEDGES RECEIVABLE	<u>\$ 1,690,538</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020:

Land	\$ 4,760,888
Buildings and Improvements	16,844,030
Furniture and Equipment	1,421,599
Leasehold Improvements	12,110,248
Construction in Progress	<u>8,139,680</u>
TOTAL	37,042,909
Less: Accumulated Depreciation	<u>(9,892,195)</u>
PROPERTY AND EQUIPMENT (NET)	<u>\$ 33,384,250</u>

Depreciation expense for the year ended June 30, 2020 was \$716,796. The estimated cost to complete the construction in progress is approximately \$1,380,000.

Included in buildings and improvements are \$10,400,860 of development costs that are subject to a fifteen year permitted use restriction.

NOTE 6 - LINE OF CREDIT

The People Concern has a revolving bank line of credit with a facility of \$4,000,000 (secured by all real and personal property) through October 2022. The line of credit bears interest at the bank's prime rate plus 0% with a floor rate of 4.0%. The bank's prime rate at June 30, 2020 was 3.25%. At June 30, 2020 there were no amounts 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.

THE PEOPLE CONCERN

NOTES TO FINANCIAL STATEMENTS June 30, 2020

NOTE 7 - NOTES PAYABLE

Notes payable consists of the following at June 30, 2020:

NOTES PAYABLE - GOVERNMENT AGENCIES:

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.

\$ 1,367,150

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

Note payable to CDHCD under the Emergency Housing and Assistance Program (EHAP) in the original principal amount of \$1,000,000, collateralized by the Village property located at 526 San Pedro Street, with principal and interest at 3% due in annual installments from residual receipts (as defined in the loan agreement) from the Village as long as the Village is used as an emergency shelter, a transitional housing facility, or a safe haven, due May 2021. The loan is forgivable at the end of the term. The loan was issued to fund the rehabilitation of the Village building.

1,000,000

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.

845,251

Non-interest bearing note payable to the City of Los Angeles in the original principal amount of \$650,000, entered into in August 2000, collateralized by the Sojourn property. Principal repayment in the form of services to victims of domestic violence at a rate of \$32,500 per annum over the 20-year term.

83,958

TOTAL NOTES PAYABLE - GOVERNMENT AGENCIES

\$ 4,496,359

THE PEOPLE CONCERN

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7 - NOTES PAYABLE (continued)

It is not anticipated that The People Concern will have any residual receipts on the operations of the Village that will activate the requirement to make cash payments on the loan from CDHCD, nor is it 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 CDHCD under EHAP amounted to \$165,000 at June 30, 2020. Contingent interest on the note payable to the City of Santa Monica amounted to \$1,683,141 at June 30, 2020.

NOTES PAYABLE - BANKS AND OTHER:

Note payable (PPP) to a bank in the original principal amount of \$5,601,000. The PPP loan, administered by the Small Business Administration (SBA), bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the SBA. Interest accrues on the loan beginning with the initial disbursement; however, payments of principal and interest are deferred until the lender's determination of the amount of forgiveness applied for by the borrower is approved by the SBA. If The People Concern does not apply for forgiveness within 10 months after the last day of the covered period (defined, at The People Concern's election, as either 8 weeks or 24 weeks), such payments will be due that month. The People Concern intends to apply for forgiveness of the PPP loan with respect to the eligible expenses incurred during the covered period. To the extent that all or part of the PPP loan is not forgiven, The People Concern will be required to pay interest on the PPP loan at a rate of 1.0% per annum. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events.

\$ 5,601,000

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.

5,222,316

THE PEOPLE CONCERN

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7 - NOTES PAYABLE (continued)

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 4.7% per annum until January 2022 when the rate changes to an adjustable rate base on LIBOR plus 2.25% with an interest rate floor of 2.7% and an interest rate ceiling of 9.95%. The note matures in January 2045 with monthly principal and interest payments of \$1,784.

	\$ 311,739
TOTAL NOTES PAYABLE - BANKS AND OTHER	<u>11,135,055</u>
TOTAL NOTES PAYABLE	<u>\$ 15,631,414</u>

Future maturities of notes payable are as follows:

Year Ended June 30

2021	\$ 1,259,851
2022	5,866,659
2023	258,050
2024	243,590
2025	249,336
Thereafter	<u>7,753,928</u>
TOTAL	<u>\$ 15,631,414</u>

Interest expense on notes payable - government and other for the year ended June 30, 2020 was \$368,030.

THE PEOPLE CONCERN

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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, 2020.

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, 2020.

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 WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at June 30, 2020:

Undesignated	\$ 7,172,249
Board Designated Reserve Fund	<u>809,083</u>
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	<u><u>\$ 7,981,332</u></u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2020:

Subject to the Passage of Time:	
Time Restricted	\$ 10,793,898
Subject to Expenditure for Specified Purpose:	
Contributed Rent	3,477,273
Sojourn	5,104,211
Kensington Campus	470,406
Hospital Programs	187,644
Housing	1,024,511
Health and Wellness	1,420,477
K9 Connection	90,158
COVID-19	295,343
Malibu Programs	151,258
Other Activities	131,013
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 23,146,192

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, 2020:

Expiration of Specified Time Period:	
Time Restriction	\$ 474,777
Satisfaction of Purpose Restrictions:	
Contributed Rent	777,561
Sojourn	604,051
Hospital Programs	133,605
Housing	1,510,962
Health and Wellness	773,568
Outreach and Engagement	158,790
K9 Connection	225,383
Capital	1,075,998
Capacity Building	80,763
Malibu Programs	103,110
Kensington Campus	18,000
COVID-19	129,157
Other Activities	102,738
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ 6,168,463

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NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

The People Concern has an operating lease with the City of Los Angeles for property located in Los Angeles. The lease term is through December 31, 2028. There are no monthly lease payments, provided Lamp continues to provide housing and social services to the homeless community of Los Angeles and perform certain prescribed maintenance, repairs and upgrades to the premises. The People Concern leased certain property located in Los Angeles (Lamp Lodge) from the City of Los Angeles Housing Department (City) as successor to the Community Redevelopment Agency of the City of Los Angeles. The term of the lease, which was entered into in April 1990, is 55 years, with an option to extend for 44 years. On October 4, 2017, the City approved the transfer of the lease to Lamp Lodge LP, a California limited partnership that was established to lease, maintain, operate, redevelop, finance and construct approximately 75-80 units of affordable housing. During the year ended June 30, 2020, Lamp Lodge LP assumed liability for the Lamp Lodge loan of \$1,000,000, resulting in The People Concern recognizing forgiveness of the note payable of \$1,000,000. At the same time, The People Concern wrote off the remaining net book value of the Lamp Lodge leasehold improvements, resulting in a loss on disposal of property and equipment of \$439,775. The People Concern is the managing partner of Lamp Lodge LP with a 0.0049% interest in the partnership and a responsibility to provide all social services for the tenants of Lamp Lodge.

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

The People Concern rents eleven facilities and various equipment under operating lease agreements expiring at various dates through December 2038. Future minimum commitments under existing non-cancellable leases as of June 30, 2020 are as follows:

Years Ending June 30

2021	\$ 1,826,243
2022	1,846,826
2023	1,477,285
2024	1,438,012
2025	1,466,074
Thereafter	<u>3,909,853</u>
TOTAL	<u><u>\$ 11,964,293</u></u>

Rent expense under operating leases for the year ended June 30, 2020 was \$1,949,443 which is included in occupancy expense in the statement of functional expenses.

THE PEOPLE CONCERN

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - COMMITMENTS AND CONTINGENCIES (continued)

(b) LEGAL PROCEEDINGS

In the ordinary course of conducting its business, The People Concern from time-to-time becomes involved in various lawsuits. Some of these proceedings may result in judgments being assessed against The People Concern which may have an impact on changes in net assets. The People Concern believes that these proceedings, individually or in the aggregate, would not have a material effect on these financial statements.

(c) 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 financial statements, except as described in Note 2(l).

(d) SOCIAL SERVICES AGREEMENTS

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

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 Flyaway Homes.

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 January 1, 2038. Lease commitments related to this lease are included in Note 11(a).

THE PEOPLE CONCERN

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 12 - RELATED PARTY TRANSACTIONS (continued)

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.

NOTE 13 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by The People Concern at June 30, 2020 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

Financial Assets at June 30, 2020:	
Cash and Cash Equivalents	\$ 2,440,380
Investments	3,471,806
Accounts Receivable (Net of Contract Advances)	7,842,492
Pledges Receivable (Net)	<u>1,690,538</u>
TOTAL FINANCIAL ASSETS	
AT JUNE 30, 2020	15,445,216
Less Amounts Not Available to Be Used	
Within One Year, Due to:	
Donor-Imposed Restrictions:	
Funds Held with Purpose Restrictions	(7,577,521)
Pledges Receivable Restricted by	(1,690,538)
Purpose and/or Time	
Board Designations:	
Board Designated Reserve Fund	<u>(809,083)</u>
FINANCIAL ASSETS AVAILABLE TO	
MEET GENERAL EXPENDITURES	
WITHIN ONE YEAR	<u>\$ 5,368,074</u>

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 \$4,000,000 line of credit. The People Concern also has a Board designated reserve fund of \$809,083 that can be drawn upon to fund unanticipated liquidity needs.

THE PEOPLE CONCERN

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 13 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (continued)

During the year ended June 30, 2020, an outbreak of a novel strain of coronavirus (COVID-19) surfaced in the United States and throughout the world. This COVID-19 outbreak has caused business disruption which may negatively impact The People Concern's operations and results. The disruption is expected to be temporary, however there is considerable uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies. While The People Concern is closely monitoring its operations, liquidity and capital resources, it is also actively working to minimize the current and future impact of this unprecedented situation. The related financial impact and duration of this disruption, however, cannot be reasonably estimated at this time.

THE PEOPLE CONCERN

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2020

THE PEOPLE CONCERN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2020

	Federal CFDA Number	Contract Number	Governmental Revenue Federal	Program Expenditures from Governmental Grants
FEDERAL AWARDS				
Federal Grantor/Passed Through Grantor/Program or Cluster Title				
U.S. Department of Housing and Urban Development:				
Direct Award				
Continuum of Care Program (a)	14.267	CA0460L9DOO1811	\$ 108,838	\$ 108,838
Home Investment Partnerships Program (b)	14.239		800,000	800,000
Pass-through Housing and Community Investment Department - City of Los Angeles				
Community Development Block Grant	14.218	C133537	179,896	179,896
Skid Row Community Space	14.218	C135168	86,631	86,631
Pass-through Housing Authority of the County of Los Angeles				
Continuum of Care Program (a)	14.267	CA1502L9D001703, CA1344L9D001804 CA1502L9D001702, CA1502L9D001803	2,608	2,608
Continuum of Care Program (a)	14.267		2,608	2,608
Pass-through Los Angeles Community Development Commission				
Community Development Block Grant	14.218	110291	20,000	20,000
Pass-through Los Angeles Homeless Services Authority				
Continuum of Care Program (a)	14.267	CA0527L9D001811	584,327	584,327
Emergency Solutions Grant	14.231	2017CNESG03	97,097	97,097
Pass-through, Los Angeles Homeless Services Authority,				
Continuum of Care Program - Lodge SHP (a)	14.267	CA0409L9D001710, CA0490L9D001811	210,017	210,017
Pass-through, Housing Authority of the City of Los Angeles				
Continuum of Care Program - Lodge Vouchers (a)	14.267	CA0407L9D001508, CA0407L9D001609	47,969	47,969
Pass-through, City of Los Angeles, Housing Opportunities for Persons with AIDS				
Emergency Transitional Housing and Supportive Services	14.241	C133824	544,433	544,433
Total U.S. Department of Housing and Urban Development			2,684,424	2,684,424

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THE PEOPLE CONCERN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2020

	Federal CFDA Number	Contract Number	Governmental Revenue Federal	Program Expenditures from Governmental Grants
FEDERAL AWARDS				
Federal Grantor/Passed Through Grantor/Program or Cluster Title				
U.S. Department of Homeland Security:				
Pass-through, United Way, Emergency Food and Shelter National Board Program				
Emergency Food and Shelter Program	97.024	EFSP Phase 36	\$ 36,200	\$ 36,200
Total U.S. Department of Homeland Security			36,200	36,200
U.S. Department of Health and Human Services:				
Direct Award				
Services in Supportive Housing	93.243	5H79SM062292-04	130,995	130,995
Total U.S. Department of Health and Human Services			130,995	130,995
U.S. Department of Justice:				
Pass-through California Emergency Management Agency/ VOCA				
Domestic Violence Assistance Program/ VOCA	16.575	DV 17 33 1197, DV18 34 1197	385,684	385,684
Domestic Violence Assistance Program/ VOCA - Legal	16.575	KL18 01 1197, XL 19 02 1197	205,320	205,320
LA County DA-California Emergency Management Agency/ VOCA				
County Victim Services (XC) Program/ VOCA	16.575	XC16010190, DV10-2020	27,899	27,899
Pass-through, Los Angeles County District Attorney - California Emergency Management				
California Partnership to End Domestic Violence	16.575	N/A	18,212	18,212
Total U.S. Department of Justice			637,115	637,115
TOTAL FEDERAL AWARDS			\$ 3,488,734	\$ 3,488,734

(a) Audited as a major program.

(b) Federal loan program.

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THE PEOPLE CONCERN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2020

	Federal CFDA Number	Contract Number	Governmental Revenue Federal	Program Expenditures from Governmental Grants
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Notes to the Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2020:

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, 2020. 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, 2020

	Federal CFDA Number	Contract Number	Governmental Revenue Federal	Governmental Revenue Non-Federal	Program Expenditures from Governmental Grants
U.S. Department of Housing and Urban Development:					
Pass-through Housing and Community Investment Department- City of Los Angeles					
Community Development Block Grant	14.218	C133537	\$ 179,896	\$ -	\$ 179,896
City of Los Angeles General Funds		C133537	-	78,709	78,709
TOTAL AWARDS			<u>\$ 179,896</u>	<u>\$ 78,709</u>	<u>\$ 258,605</u>

Notes to the Schedule of Expenditures of Awards from the Los Angeles Housing and Community Investment Department for the Year Ended June 30, 2020:

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, 2019 through June 30, 2020, which is the same as the audit period.

See Independent Auditor's Report