

**ASCENCIA**  
**(a Not-for-Profit Corporation)**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**WITH INDEPENDENT AUDITORS' REPORT**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors,

Ascencia  
Glendale, California

We have audited the accompanying financial statements of Ascencia (a Not-for-Profit Corporation), which comprise the statement of financial position as of June 30, 2016, 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 Ascencia as of June 30, 2016, 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.

## **Other Matters**

### *Other 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, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to 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 27, 2017 on our consideration of Ascencia'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 Ascencia's internal control over financial reporting and compliance.

*Lee, Sperling, Hisamune / Accountancy  
Corporation*

Glendale, California

March 27, 2017

**ASCENCIA**  
**(a Not-for-Profit Corporation)**

**STATEMENT OF FINANCIAL POSITION**

**AS OF JUNE 30, 2016**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents	\$ 649,537
Grants receivable	292,329
Contributions receivable	300,000
Prepaid expenses	41,549
Security deposits	32,049
Other assets	<u>2,553</u>
Total current assets	1,318,017

**PROPERTY AND EQUIPMENT, NET**

4,461,586

Total assets

\$ 5,779,603

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts payable	\$ 12,507
Line of credit	180,417
Accrued payroll	71,376
Client savings deposit	41,906
Security deposits payable	<u>12,500</u>
Total current liabilities	318,706

Notes and interest payable

2,581,791

Total liabilities

2,900,497

**NET ASSETS:**

Unrestricted net assets -	
Unrestricted	2,271,161
Board designated	290,000
Temporarily restricted net assets	<u>317,945</u>
Total net assets	<u>2,879,106</u>

Total liabilities and net assets

\$ 5,779,603

See accompanying notes to financial statements.

**ASCENCIA**  
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**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2016**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>REVENUE AND SUPPORT:</b>			
Donations	\$ 915,246	\$ 475,333	\$ 1,390,579
Grants	1,474,112	-	1,474,112
Special events revenue, net of \$112,618 in costs of direct benefits to donors	91,560	-	91,560
Rental and other income	226,904	-	226,904
Interest income	133	-	133
Net assets released from restrictions	261,912	(261,912)	-
Total revenue and support	2,969,867	213,421	3,183,288
<b>EXPENSES:</b>			
Program services	2,046,287	-	2,046,287
General and administrative	335,438	-	335,438
Fundraising	231,878	-	231,878
Total expenses	2,613,603	-	2,613,603
Increase in net assets	356,264	213,421	569,685
<b>Net assets, beginning of year</b>	2,204,897	104,524	2,309,421
<b>Net assets, end of year</b>	\$ 2,561,161	\$ 317,945	\$ 2,879,106

See accompanying notes to financial statements.

**ASCENCIA**  
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**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2016**

	<b><u>Program Services</u></b>	<b><u>General and Administrative</u></b>	<b><u>Fund Raising</u></b>	<b><u>Total</u></b>
Payroll and benefits	\$ 1,055,687	\$ 112,116	\$ 94,465	\$ 1,262,268
Rent	195,936	11,406	2,771	210,113
Professional services	202,700	150,764	117,996	471,460
Utilities	27,296	1,529	291	29,116
Building and maintenance	110,892	6,210	1,183	118,285
Insurance	39,320	4,176	3,518	47,014
Telephone	11,888	1,263	1,064	14,215
Office expense	90,965	9,661	8,140	108,766
Client expenses	70,750	-	-	70,750
Bank and payroll fees	-	19,705	-	19,705
Property taxes	3,412	192	36	3,640
Recruitment and staffing	2,453	6,017	-	8,470
Auto and travel	16,158	94	80	16,332
Depreciation	123,799	6,933	1,320	132,052
Interest expense	14,219	796	152	15,167
Interest expense (see Note 9)	80,812	4,526	862	86,200
Miscellaneous	-	50	-	50
	<u>\$ 2,046,287</u>	<u>\$ 335,438</u>	<u>\$ 231,878</u>	<u>\$ 2,613,603</u>

See accompanying notes to financial statements.

**ASCENCIA**  
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**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ 569,685
Adjustments to reconcile change in net assets to net cash provided by operating activities -	
Depreciation	132,052
Changes in operating assets and liabilities --	
Grants and contribution receivable	(368,684)
Prepaid expenses	(7,549)
Security deposits	1,907
Other assets	8,209
Accounts payable	(46,902)
Accrued payroll	7,456
Accrued interest	86,200
Client saving deposit	31,056
Security deposits payable	2,882
Net cash provided by operating activities	<u>416,312</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of property and equipment	<u>(9,825)</u>
Net cash used in investing activities	<u>(9,825)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Payments on line of credit	<u>(44,074)</u>
Net cash used in financing activities	<u>(44,074)</u>
Net increase in cash and cash equivalents	362,413

**Cash and cash equivalents, beginning of year**

287,124

**Cash and cash equivalents, end of year**

\$ 649,537

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

Cash paid during the year for interest	<u><u>\$ 15,167</u></u>
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See accompanying notes to financial statements.

**ASCENCIA**  
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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**Note 1 – Organization**

Ascencia (“the Organization”) is a not-for-profit organization incorporated in California on June 15, 2006 with the mission to end homelessness in the Greater Glendale area, one person, one family, at a time. The Organization serves approximately 1,200 homeless men, women and children each year through a range of housing and services that support their regaining a home of their own.

Until February 24, 2011, the Organization was affiliated with PATH Partners, a California non-profit benefit corporation. PATH Partners was the ultimate controlling party of the Organization and all actions of the Organization’s Board of Directors were subject to the approval of PATH Partners. On February 24, 2011, the Organization and PATH Partners entered into an agreement which called for amendment of the Organization’s bylaws and articles of incorporation, removing PATH Partners as the sole voting member. The Organization’s bylaws were amended effective May 13, 2011, and amended articles of incorporation reflecting the Organization’s name change to Ascencia were filed with the State of California on September 12, 2011.

On December 20, 2012 Ascencia merged with The S.H. Ho Hope and Compassion Center, a nonprofit public benefit corporation with no members. The S.H. Ho Hope and Compassion Center owned two properties under development. Ascencia, as the surviving corporation, assumes ownership of those assets.

The Organization operates the following programs:

- The Access Center serves as the Coordinated Entry System (CES) for all clients in the Glendale Continuum of Care by providing standardized assessment of all clients that prioritizes the most vulnerable for housing placement. Services include street outreach, comprehensive screening and assessment of client needs, and case management with specializations in mental health, employment, substance abuse recovery, and veterans’ services. Services based at the Access Center are client-centered and use trauma-informed care principles to support client use of services. The Organization’s Outreach Team canvasses streets to offer services to homeless people, respond to calls from the community to help homeless people and provides essential transportation to connect clients to needed services. The Access Center case management staff conducts a thorough review of each person’s social, economic and health needs and tailors a plan for continuing services at the Organization or a responsible referral to an appropriate provider. Case Managers assist clients by helping them clarify priorities, identify resources, and facilitate short and long-term planning. On-site psychiatrist and trauma therapist give clients access to essential mental health services, and volunteers provide additional services including blood pressure screening and haircuts. Ascencia leads the Glendale CES, and supports the CES in the east San Fernando Valley and Northeast Los Angeles.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2016**

**Note 1 -- Organization (Continued)**

- Emergency Housing for up to 60 days to help people address an immediate crisis. Entering adult clients must pass a drug test, commit to saving money, and participate in case management services, which are provided through the Access Center. The 40-bed program can accommodate families of any size and configuration; children of any age are permitted. Volunteers provide substantial enrichment to the program; for example, school age children receive tutoring twice a week from School on Wheels, and volunteers and Guest Chefs purchase, prepare and serve dinner for the residents each night by utilizing over 400 volunteers a year from religious organizations, businesses, and service clubs.
- Scattered Site Permanent Supportive Housing for chronically homeless families and single adults provides a permanent home with social services support to ensure housing stability. The program focuses on helping families and individuals with disabilities and histories of extended or repeated homelessness overcome the physical and emotional setbacks of homelessness. This program, which converted from a family transitional housing program, in 2014, encountered difficulties finding families that met the HUD criteria for chronic homelessness. As a result, some of the units converted to single person households. In 2015-16 program year, the program housed twelve households including 17 adults and 9 children.
- Next Step Permanent Supportive Housing provides a critical housing opportunity for single chronically homeless adults in recovery from alcohol or drug addiction. Clients in this program have completed residential rehabilitation, but need more time to establish their sobriety and repair the substantial damage done to their credit, employability and personal relationships following long-term alcohol and/or drug abuse and homelessness. As a permanent housing program, clients have the opportunity to work at their own pace to rebuild their lives, and the Organization staff provide the support and guidance to help them. Services include financial literacy training, recovery support groups, small grants for education, guidance on credit repair, and referrals for legal services.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2016**

**Note 1 -- Organization (Continued)**

- Social Innovation Fund Initiative provides supportive housing for vulnerable, high-cost users of hospital services. Known locally as the 10<sup>th</sup> Decile Project, Ascencia staff work with local hospitals to identify eligible patients. Services include assisting clients in connecting to housing and navigating needed health, nutrition education, assistance with daily living, and other services to stabilize them in permanent supportive housing and reduce their impact on emergency services.
- Winter Shelter programs in Glendale (130 beds) and Northeast Los Angeles (35 beds). These programs were added at the request of the City of Glendale, City of Los Angeles and the Los Angeles Homeless Services Authority. Nearly 600 individuals were served between December 1, 2015 and March 31, 2016.
- At the close of the 2015-2016 Fiscal Year, the Organization was preparing to implement new programming in Burbank and West Hollywood. Those new programs began in fiscal year 2016-17.

The Organization is a leading provider of homeless services in the Glendale Continuum of Care and participates in the Continuum's Homeless Management Information System.

**Note 2 -- Summary of Significant Accounting Policies**

***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

***Cash and Cash Equivalents***

The Organization considers cash and cash equivalents to be all highly liquid investments with a maturity of three months or less when acquired.

***Contributions and Funding***

Contributions are recognized at fair value when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. An allowance is provided for those promises to give estimated to be uncollectible, as necessary.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2016**

**Note 2 -- Summary of Significant Accounting Policies (Continued)**

***Net Assets***

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

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. These assets are available to support the Organization’s activities and operations at the direction of the Board of Directors.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the donor, the Organization and/or the passage of time. Donor-restricted contributions for which the restriction has been satisfied in the same reporting period as the contribution was received are recorded as unrestricted support.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the corpus be maintained permanently by the Organization. The Organization had no permanently restricted net assets as of June 30, 2016.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

***Property and Equipment***

Property and equipment are recorded at cost, except for donated equipment, which is stated at fair value at date of receipt. The Organization follows the practice of capitalizing all expenditures for equipment in excess of \$5,000. The straight-line method of depreciation is calculated based on the estimated useful lives of the assets by category as noted below:

Vehicles	5 years
Software	3-5 years
Furniture and fixtures	7 years
Equipment	5 years
Building	27-39 years

Management of the Organization assesses the recoverability of property and equipment whenever a triggering event occurs. In the event that there is a decline in value, the Organization performs an analysis to determine if the decline in value may not be recoverable. Management has determined that no unrecoverable declines in the market values of property and equipment exist at June 30, 2016.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2016**

**Note 2 -- Summary of Significant Accounting Policies (Continued)**

***Income Taxes***

The Organization is a public charity that has obtained an exemption from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and California state income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision has been made for federal or state income taxes. The Organization is subject, however, to Federal and California income taxes on unrelated business income as stipulated in Internal Revenue Code Section 511 and Regulation Section 1.511. For the fiscal year ended June 30, 2015, the Organization had no unrelated business taxable income.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax exempt status of the Organization and various positions related to the potential sources of unrelated business tax able income. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal years ended June 30, 2016.

Ascencia's Forms 990, Return of Organization Exempt from Income Tax, for years ended June 30, 2014, 2015 and 2016 may be subject to examination by the Internal Revenue Service, generally for three years after they were filed.

***Allocated Expenses***

The direct costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain indirect costs have been allocated among the programs and supporting services benefited based upon estimated usage.

***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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates embodied in these financial statements include the collectability of receivables and expense allocation. Actual results could differ from those estimates.

***Grants Receivable***

The Organization's grants receivable are due in less than one year and include receivables from private foundations and exchange transactions due from contracted government grant reimbursements request. Management has determined that no allowance is necessary, and management believes that all grants receivable are collectible.

**ASCENCIA**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2016**

**Note 2 -- Summary of Significant Accounting Policies (Continued)**

***Fair Value Measurement***

The Organization adopted the standards for reporting, Fair Value Measurements, for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements.

The Organization accounts for certain assets and liabilities at fair value. The hierarchy below lists three levels of fair value based on the extent to which inputs used in measuring fair value are observable in the market. The Organization categorizes each of its fair value measurements in one of these three levels based on the lowest level input that is significant to the fair value measurement in its entirety.

These levels are:

Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active.

Level 3 – inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques, including discounted cash flows.

**Note 3 -- Property and Equipment**

Property and equipment are summarized as follows at June 30, 2016:

Vehicles	\$ 25,589
Software	14,921
Furniture and fixtures	27,968
Equipment	71,971
Building and land	<u>4,619,371</u>
	4,759,820
Less accumulated depreciation	<u>(298,234)</u>
Total	<u>\$ 4,461,586</u>

Depreciation expense amounted to \$132,052 for the years ended June 30, 2016.

**ASCENCIA**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2016**

**Note 4 -- Client Savings Deposits**

As part of its program services, the Organization collects money orders from its clients and social security benefits for the benefit of its clients. The full amount is returnable to the clients. As of June 30, 2016 client saving deposits totaled \$41,906.

**Note 5 -- Line of Credit**

The Organization maintains a one year, \$400,000 revolving bank line of credit that renews each year. The current line of credit expires on November 30, 2017 and bears interest at the greater of prime or 5.5%. The loan agreement requires that all assets are pledged as collateral and include certain covenants, which were substantially complied with by the Organization. The line of credit balance at June 30, 2016 was \$180,417.

**Note 6 -- Net Assets**

Included in unrestricted net assets are funds designated by the Board of Directors as reserve funds not to be expended without prior authorization of the Board. These amounted to \$290,000 at June 30, 2016.

Temporarily restricted net assets at June 30, 2016 are available for the following purposes:

Water fountains	\$ 414	
Homeless health education	54	
Baby diapers	448	
Client contacted through 100K Homes Campaign	2,860	
Gardena	79,764	
Advancing Ascencia		85,816
Personnel costs	22,521	
Construction of storage	10,823	
Literacy	55,000	
Furnishing and equipment	<u>60,245</u>	
Total	<u>\$ 317,945</u>	

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors. Restriction released during fiscal year ended June 30, 2016 are as follows:

Advancing Ascencia	\$ 172,517
Personnel costs	53,726
Furnishing and equipment	756
Construction of storage	14,677
Gardena-Supportive Housing Complex	<u>20,236</u>
Total	<u>\$ 261,912</u>

**ASCENCIA**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2016**

**Note 7 -- Commitments and Contingencies**

***Leases***

The Next Step, Scattered Site Transitional Housing, and Rapid Re-housing programs have month-to-month lease payments for apartment housing that range from \$855 to \$3,000. The longest non-cancellable apartment lease will expire at the end of March 2017. The Organization also has an operating lease on equipment with payments of \$799 per month expiring in September 2018.

Future annual minimum payments under these non-cancelable operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 82,288
2018	2,397

For the year ended June 30, 2016 rent expense totaled \$212,355.

Housing facilities under the Next Step and Scattered Site Transitional Housing programs are subleased to the clients. Rental income from these program subleases was \$74,922 for fiscal year ended June 30, 2016.

***Indemnities and Guarantees***

The Organization has made certain indemnities and guarantees under which it may be required to make payments in relation to certain transactions. The Organization indemnifies its directors, officers, employees, and agents to the maximum extent permitted under the laws of the state of California. In connection with its facility lease, the Organization has indemnified its lessor for certain claims arising from the lease of facilities. The duration of the guarantees and indemnities varies, and in many cases is indefinite. These guarantees and indemnities do not provide for any limitation of the maximum potential future payments the Organization could be obligated to make. As of the report date, the Organization has not been obligated to make any payments for these obligations and no liabilities have been recorded for these indemnities and guarantees in the accompanying statement of financial position.

**Note 8 -- Retirement Plan**

The Organization maintains a deferred annuity plan under Internal Revenue Code Section 403(b) which covers all full-time employees who have been employed by the Organization for at least 90 days. Employee contributions are voluntary. After two years of employment, the Organization contributes five percent of qualified wages. The Organization's contributions vest at the earlier of retirement age, death, disability or termination. The Organization's contributions were \$18,484 for the year ended June 30, 2016.

In April 2016, the Organization adopted a profit sharing plan under Section 401(k) of the Internal Revenue Code that covers all employees who meet the plan's eligibility requirements. The Plan provides for profit sharing contributions by the Organization to each qualifying participant's individual account under a pro rata formula. Under this formula, each qualifying participant's individual account will receive a pro rata allocation. This allocation is based on the qualifying participant's compensation in relation to the total compensation of all qualifying participants. The Organization's contributions were \$2,980 for the year ended June 30, 2016.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2016**

**Note 9 -- Notes and Interest Payable**

Notes and interest payable include the following:

***City of Glendale - Note Payable***

In April 2014, the Organization entered into a loan agreement with City of Glendale whereas the City provided a loan for the renovation of the nine-unit apartment at 1911 Gardena Ave in Glendale. The loan agreement requires that apartment building be used and operated for not less than twenty years as affordable rental housing, with all nine units restricted to occupancy by very low income households. The loan is made available for drawing from City funds. A promissory note was executed between City of Glendale and Ascencia in the amount of \$325,000. The note is secured by a Deed of Trust with interest rate of four percent (4%) simple interest per annum. There are no periodic payments and maturity date of the loan is 20 years following the completion of renovation of the nine-unit apartment at 1911 Gardena Ave in Glendale. At the end of the 20-year term, provided that no event giving the City the right to accelerate repayment of the loan has occurred, the unpaid principal amount and unpaid accrued interest shall be fully forgiven.

\$ 325,000

***City of Glendale- Conditional Grant Agreement and Repayment Note***

The conditional grant agreement in the amount of \$2,097,392 entered between the City of Glendale and S.H. Ho (assumed by Ascencia as of December 27, 2012) stipulates that the funds are to be used to acquire and rehabilitate a commercial building at 1851 Tyburn Street in Glendale and to use the property for the Access Center and Emergency Shelter programs. In conjunction with the conditional grant agreement, a City Repayment Note was executed. The note is secured by a Deed of Trust, Security Agreement and Fixture Filing, with assignment of rents for the benefit of the City of Glendale. The interest on the outstanding balance of the note is accrued at 3.49% per annum. The entire amount of the grant plus interest is to be repaid in the event Organization fails to perform any of its material obligations under the conditional grant agreement for a period of 10 years, after which the note shall stop accruing interest. For the period commencing on the date that is ten years and one day after the date of the note and ending on the date that is twenty years after the date of the note, the Organization is obligated to pay a pro rata portion equal to 5% of the principal owing on the note amount for each year the Organization has discontinued the use of the Access Center and/or Permanent Supporting Housing Units, plus all accrued interest.

2,097,392

Accrued interest payable

159,399

\$ 2,581,791

**ASCENCIA**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2016**

**Note 10 -- Concentration Risk**

Financial instruments that subject the Organization to a concentration of credit risk consist of cash and short-term investments held at financial institutions, which from time to time, may exceed federally insured amounts. The organization has not experienced any losses in such accounts and has its funds in a financial institution that carries insurance in excess of federal insured limits. The uninsured amount was \$90,312 at June 30, 2016.

Services provided by the Organization are governed by grant agreements with governmental agencies. Most of these grant agreements involving the Organization are for fixed terms and expire on an annual basis. There can be no assurances that the Organization will be able to obtain future grant agreements as deemed necessary by management. The loss of some of the current grants or the inability to obtain future grants could have an adverse effect on the Organization's financial position and results of operations.

Management believes that they will be able to continue obtaining appropriate grants to fund future operations based on their historical ability to obtain new grant agreements and based on their relationships with the funders. The Organization's services are funded primarily by the U.S. Department of Housing and Urban Development, which represents approximately 60% of grant income and 31% of total revenue and support for the year ended June 30, 2016. The Organization is required to comply with OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations and other federal audit requirements. Failure of the Organization to comply with applicable regulatory requirements can result in, among other things, loss of funding, warning letters, fines, injunctions, civil penalties, and could have an adverse effect on the Organization's financial position and operations.

**Note 11 -- Related Party Transactions**

Total contributions received from individual members of the board of directors and staff for the years ended June 30, 2016 were \$65,899.

**Note 12 -- Subsequent Events**

Management has evaluated subsequent events through March 27, 2017 which is the date the financial statements were made available to be issued.

**ASCENCIA**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2016**

**Note 12 -- Subsequent Events (Continued)**

In December of 2015, Los Angeles County Supervisor Michael D. Antonovich pledged a sum of \$400,000 towards the *Advancing Ascencia* Capital Campaign. When the campaign ended, this amount was included in the publicized total of \$7.79 Million dollars raised. This pledge, unlike others, is in the form of two cost reimbursement contracts between the County of Los Angeles and Ascencia:

- The purpose of the Grant Agreement, “Ascencia Social Improvement Project” between Ascencia and the County of Los Angeles is to install solar panels and make other improvements in the amount of \$300,000, effective January 23, 2017. Terms of the contract are over 15 years, however Ascencia anticipates the full expenditure of this contract over the next 2 years. The source of funding for this project is the Los Angeles County Homeless Services Funds. The agreement for these funds was executed January 23, 2017.
- The purpose of the “*Advancing Ascencia*” service contract between Ascencia and the County of Los Angeles is for Employment Navigation and Emergency Shelter services in the amount of \$100,000, effective August 24, 2016 through February 28, 2018. Los Angeles County Homeless Prevention Initiative – Homeless Services Fund is the source of funding for this portion of the pledge. Contract for use of these funds was executed August 29, 2016.

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**SUPPLEMENTARY INFORMATION**

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**ASCENCIA**  
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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2016**

<b><u>Federal Grantor / Pass-Through Grantor: Program Name</u></b>	<b><u>Catalog of Federal Domestic Assistance Number</u></b>	<b><u>Pass - Through Entity Identifying Number</u></b>	<b><u>Federal Awards Expenditures</u></b>	
<b><i>U.S. Department of Housing and Urban Development:</i></b>				
Passed-through the City of Glendale				
Emergency Shelter Grant	14.231	C105982	\$ 47,342	
Community Development Block Grant / Community Outreach Program	14.218	C106027	24,458	
Supportive Housing Program / Access Center				
Access Center	14.235	C105415, C105996	516,698	*
Supportive Housing Program /				
Scattered Site Family Transitional Housing	14.235	C105753, C106047	151,452	*
Supportive Housing Program /				
Next Step Permanent Housing	14.235	C105952, C106254	139,757	*
Passed-through Los Angeles Homeless Services Authority				
Emergency Shelter Grant	14.231	2015 WSP17, 2015 WSP18	326,095	
<b><i>Corporation for National and Community Service:</i></b>				
Social Innovation Fund	94.019	15-092-G	131,894	
<b><i>Federal Emergency Management Agency:</i></b>				
Emergency Food and Shelter Program	97.024		<u>6,497</u>	
Total expenditures of federal awards			<u>\$ 1,344,193</u>	

\* Major programs

See accompanying note to schedule of expenditures of federal awards.

**ASCENCIA**  
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**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2016**

**Note 1 -- Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2016 and is presented on the accrual basis of accounting. 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. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cashflows of the Organization.

**Note 2 -- Outstanding Loans**

The City of Glendale loaned the Organization \$2,097,392 in a prior year. The source of funds was from the United States Department of Housing and Urban Development under its Section 108 Loan Guarantee program. The outstanding loan balance at June 30, 2016 was \$2,097,392.

**Note 3 -- Cost Principles**

The Organization applied cost principles under Title 2 US Code of Federal Regulation Part 200, Subpart E for year ended June 30, 2016. The Organization did not elect to use the 10% de minimus indirect cost rate.