FINANCIAL STATEMENTS

JUNE 30, 2020

WITH INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,

Ascencia Glendale, California

Report on the Financial Statements

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, 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 Ascencia 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.

Emphasis of Matter

As discussed in Note 14 Subsequent Events, the spread of a novel strain of coronavirus (COVID-19) in 2020 has caused significant volatility in the United States marketplace. There is significant uncertainty around the breadth and duration of any business disruption related to COVID-19, as well as its impact on the U.S. economy. The extent of the impact of COVID-19 on the Organization's operation and financial performance is uncertain and cannot be determined at this time. The financial statements have not been adjusted as a result of this uncertainty.

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

Lee, Sperling, Hisamure Corporation

In accordance with Government Auditing Standards, we have also issued our report dated April 28, 2021 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.

Glendale, California

April 28, 2021

STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2020

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 315,111
Grants receivable	901,048
Unbilled revenue	73,448
Contributions receivable	4,500
Prepaid expenses	28,062
Security deposits	33,908
Total current assets	1,356,077
PROPERTY AND EQUIPMENT, NET	4,205,826
Total assets	\$ 5,561,903
<u>LIABILITIES AND NET ASSETS</u> CURRENT LIABILITIES:	
Accounts payable and accrued expenses	\$ 267,739
Line of credit	248,630
Loan payable	38,400
Client savings deposit	3,272
Total current liabilities	558,041
Notes and accrued interest payable	2,776,590
Total liabilities	3,334,631
NET ASSETS:	
Without donor restrictions	2,163,631
With donor restrictions	63,641
Total net assets	2,227,272
Total liabilities and net assets	\$ 5,561,903

STATEMENT OF ACTIVITIES

	Without Donor Restrictions		With Donor Restrictions		Total	
REVENUE AND SUPPORT:						
Donations	\$	388,939	\$	67,000	\$	455,939
Grants		2,918,546		-		2,918,546
Special events revenue		182,072		-		182,072
Less: Costs of direct benefits to donors		(20,786)		-		(20,786)
Rental and other income		143,405		-		143,405
Gifts in-kind		14,538		-		14,538
Interest income		1,174		-		1,174
Net assets released from restrictions		79,875		(79,875)		-
Total revenue and support		3,707,763		(12,875)		3,694,888
EXPENSES:						
Program services		3,263,684		-		3,263,684
General and administrative		292,580		-		292,580
Fundraising		293,479		-		293,479
Total expenses		3,849,743		-		3,849,743
Decrease in net assets		(141,980)		(12,875)		(154,855)
Net assets, beginning of year		2,305,611		76,516		2,382,127
Net assets, end of year	\$	2,163,631	\$	63,641	\$	2,227,272

STATEMENT OF FUNCTIONAL EXPENSES

	Program Services	neral and ninistrative	Fundraising	Total
Payroll and benefits	\$ 1,918,529	\$ 203,325	\$ 169,487	\$ 2,291,341
Rent	547,146	1,602	535	549,283
Professional services	255,604	16,938	67,196	339,738
Professional services - Gifts in-kind	28,333	-	-	28,333
Utilities	29,163	2,613	1,261	33,037
Building and maintenance	83,730	6,122	3,265	93,117
Insurance	61,396	8,998	3,821	74,215
Telephone	18,261	2,003	845	21,109
Office expense	55,651	24,860	21,845	102,356
Client expenses	15,211	105	3,652	18,968
Bank and payroll fees	5,370	-	6,706	12,076
Recruitment and staffing	1,375	5,041	843	7,259
Auto and travel	46,042	7,450	874	54,366
Depreciation	127,625	8,570	8,436	144,631
Interest expense	8,549	574	565	9,688
Interest expense (see Note 10)	58,417	3,923	3,860	66,200
Miscellaneous	3,282	 456	288	4,026
Total expenses	\$ 3,263,684	\$ 292,580	\$ 293,479	\$ 3,849,743

STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$(154,855)
Adjustments to reconcile change in net assets to net cash	
used in operating activities -	
Depreciation	144,631
Changes in operating assets and liabilities	
Grants and contributions receivable	(303,621)
Prepaid expenses and security deposits	(12,372)
Accounts payable and accrued expenses	62,155
Accrued interest	66,200
Security deposits	(12,500)
Client savings deposit	(1,468)
Net cash used in operating activities	(211,830)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from line of credit	297,000
Payments on line of credit	(150,000)
Proceeds from loan payable	38,400
Net cash provided by financing activities	185,400
Net decrease in cash and cash equivalents	(26,430)
Cash and cash equivalents, beginning of year	341,541
Cash and cash equivalents, end of year	\$ 315,111
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the year for interest	\$ 9,688

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1 -- Organization

Ascencia ("the Organization") is a not-for-profit organization incorporated as PATH Achieve Glendale in California on June 15, 2006 with the mission to end homelessness in the Greater Glendale area, one person, one family, at a time. In 2016, the Organization updated its mission to "Lifting people out of homelessness, 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, substance use disorders, housing location, employment, financial literacy, and veterans' services. Services based at the Access Center are clientcentered and use a trauma-informed approach to support client use of services. 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. The on-site tele-psychiatric services and trauma therapists 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

Note 1 -- Organization (Continued)

- Emergency Housing for up to 60 days for single adults and 120 days for families with minor children to help people address an immediate crisis. Entering adult clients must pass a background check, commit to saving money, and participate in case management services, which are provided through the Access Center. The 45-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 800 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. The program is currently serving twelve households including 16 adults and 8 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.
- Housing Now Permanent Supportive Housing for chronically homeless single adults.
 program, a 14-unit, scattered site program provides a permanent home with social services
 support to ensure housing stability. The program focuses on helping individuals with
 disabilities and histories of extended or repeated homelessness overcome the physical and
 emotional setbacks of homelessness.
- H.E.L.P. 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. The program is currently serving 20 households including 15 single adults and five families with children.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

Note 1 -- Organization (Continued)

- Foundation grants such as Dignity Health Foundation and Mother Joseph Fund have enabled us to continue to provide supportive housing for vulnerable, high-cost users of hospital services since the Social Innovation Fund 5–year grant ended in 2017. Originally known as the 10th Decile Project, Ascencia staff work with local hospitals to identify eligible patients. Services include assisting clients in connecting to housing and a medical home, and navigating needed health, nutrition education, assistance with daily living, financial literacy, and other services to stabilize them in permanent supportive housing and to reduce their impact on emergency services.
- Ascencia's Homeless Services Liaison position serves as Ascencia's liaison to local government, business and other stakeholders on matters related to homelessness in Burbank and the east San Fernando Valley. This includes representing Ascencia in planning initiatives in the Cities of Los Angeles, Glendale and Burbank, the County of Los Angeles, and the multi-agency planning underway related to the Los Angeles River. When not in the field, Ascencia's Homeless Services Liaison is co-located at the City of Burbank Community Development Department. The position is responsible for being the point of contact on all homeless-related matters for the City of Burbank and coordinates closely with Ascencia's street outreach team.
- The City of West Hollywood contracts with Ascencia to provide a street outreach team, case management, reserves ten of emergency housing beds for West Hollywood referrals, and provides Housing Retention Services.
- Ascencia provides services by contracting with the Department of Health Services to provide intensive supportive case management services to 120 clients placed in permanent supportive housing through Housing for Health.
- The Housing Location Navigator position serves as Ascencia's cultivator of units by developing relationships with to property owners who are open to renting permanent housing space to homeless individuals and/or families.

In addition to serving as the lead provider of homeless services in the Glendale Continuum of Care and participation in the Continuum's Homeless Management Information System, the Organization is a service hub within the Los Angeles Continuum of Care's Service Planning Area 2 (San Fernando Valley) Coordinated Entry System, and its Service Planning Area 4 (Metro/Northeast Los Angeles) Coordinated Entry System.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

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.

Basis of Presentation

The Organization prepares its annual financial statements in accordance with Accounting Standards Codification (FASB ASC) 958-210-50-3 (formerly FASB No. 117, *Financial Statements of Not-for-Profit Organizations*, and the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Not-for Profit Organizations*).

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities ("ASU 2016-14"). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- (i) Requiring the presentation of two net asset classes classified as "Net Assets Without Donor Restrictions" and "Net Assets With Donor Restrictions";
- (ii) Modifying the presentation of underwater endowment funds and related disclosures;
- (iii) Requiring the use of the placed in service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- (iv) Requiring that all not-for-profits present an analysis of expenses by function and nature in a separate statement or in the notes to the financial statements;
- (v) Requiring disclosure of quantitative and qualitative information on liquidity;
- (vi) Presenting investment return net of external and direct internal investment expenses;
- (vii) Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

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

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.

Contributed Goods and Services

The Organization receives contributed services from professionals such as therapy, case management, housing retention, crisis intervention and medical support to homeless individuals and families. The receipt of donated services by the Organization is recorded at fair value and reflected as gifts in-kind and included in revenue and support in the accompanying statement of activities and as gifts in-kind services expense in the accompanying statement of functional expenses.

Contributions

On July 1, 2019 the Organization adopted FASB ASU No. 2018-08, *Not-for-Profit Entities (Topic 958):* Clarifying the Scope and the Accounting Guidance for Contributions and Contributions Made. This accounting pronouncement clarified guidance for not-for-profit entities regarding whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. It also clarified guidance related to determining whether a contribution is conditional.

Contributions received are recorded based upon the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in Net Assets Without Donor Restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in with donor restrictions Net Assets With Donor Restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), Net Assets With Donor Restrictions are reclassified to Net Assets Without Donor Restrictions and are reported in the Statement of Activities as net assets released from restrictions.

Net Assets Classifications

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

(i) Net Assets Without Donor Restrictions

Represent net assets which are not restricted by donors. Net Assets Without Donors Restrictions are funds that are fully available, at the discretion of the Board of Directors and management, for the Organization to utilize in any of its programs or supporting services. Net Assets Without Donor Restrictions may be designated for specific purposes by the Board of Directors or may be limited by legal requirements or contractual agreements with outside parties.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

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

Net Assets Classifications (Continued)

(ii) Net Assets With Donor Restrictions

Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. A portion of the Organization's Net Assets With Donor Restrictions is subject to donor-imposed restrictions that require the Organization to use or expend the gifts as specified, based on purpose or passage of time. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, such net assets are reclassified to Net Assets Without Donor Restrictions and reported on the statement of activities as net assets released from restrictions.

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, 2020.

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, 2020, 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 taxable income. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal years ended June 30, 2020.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

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

Income Taxes (Continued)

Ascencia's Forms 990, Return of Organization Exempt from Income Tax, for years ended June 30, 2018, 2019, and 2020 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 and Unbilled Revenue

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 reimbursement requests. Management has determined that no allowance is necessary, and management believes that all grants receivable are collectible.

Unbilled revenues are exchange transactions due from contracted government grants for reimbursements that have not been requested yet.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

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

Fair Value Measurement (Continued)

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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the accompanying Statement of Activities and in more detail on the Statement of Functional Expenses. These expenses can be directly identified with the program or supporting service to which they relate and are charged accordingly. Indirect expenses that benefit multiple functional areas are allocated based upon program attributes, space utilization, salary allocation by position, and estimates by management.

Recent Accounting Pronouncements

Revenue Recognition on Exchange Transactions

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers: Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 606 and issued subsequent amendments to the initial guidance in subsequent years. FASB ASC Topic 606 supersedes nearly all existing revenue recognition guidance under Generally Accepted Accounting Principles. The core principle of FASB ASC Topic 606 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. FASB ASC Topic 606 defines a five-step process to achieve this core principle including identifying performance obligations in the contract, estimating the amount of variable consideration to include the transaction price and allocating the transaction price to each separate performance obligation, among others.

In June 2020, FASB issued ASU 2020-05 to allow deferral of the effective date applies to certain entities that have not yet issued their financial statements reflecting the adoption of ASC Topic 606. Those entities may elect to adopt the guidance for annual reporting periods beginning after December 15, 2019. The School qualified for and has elected to adopt ASU 2020-05 in deferral of effective date of FASB ASC Topic 606.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

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

Recent Accounting Pronouncements (Continued)

Leases

In February 2016, the FASB issued ASU 2016-02 "Leases" to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities in the financial statements and disclosing key information about leasing arrangements. Under ASU 2016-02, a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right to use asset representing its right to use the underlying asset for the lease term. The amendment of this ASU is effective for reporting periods beginning after December 15, 2020, with early adoption permitted. The adoption of ASU 2016-02 is not expected to have a material impact on the Organization's financial statements and disclosures except upon initial adoption.

Note 3 -- Property and Equipment

Property and equipment are summarized as follows at June 30, 2020:

Vehicles	\$ 53,588
Software	14,921
Furniture and fixtures	62,475
Equipment	71,971
Building and land	4,867,462
	5,070,417
Less accumulated depreciation	(864,591)
Total	<u>\$4,205,826</u>

Depreciation expense amounted to \$144,631 for the year ended June 30, 2020.

Note 4 -- Client Savings Deposit

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, 2020 client saving deposits totaled \$3,272.

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 December 1, 2021 with variable interest rate subject to change based on the prime rate. The interest rate was 5.0% as of June 30, 2020. 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 as of June 30, 2020 was \$248,630.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

Note 6 -- Net Assets With Donor Restriction

Net assets subject to donor restrictions at June 30, 2020 are available for the following purposes or periods:

Water fountains	\$ 413
Homeless health education	54
Baby diapers	448
Client contacted through 100K Homes Campaign	2,860
Gardena	5,026
Personnel costs	1,204
Furnishings & Equipment	1,180
Advancing Ascencia	2,662
Integrated Health Homes	1,541
Financial Literacy	48,253
Total	\$ 63,641

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors. Restriction released during fiscal year ended June 30, 2020 are as follows:

Financial literacy	\$ 18,416
Modernization of website	10,000
Volunteer coordinator	18,000
Personnel costs	33,459
Total	¢ 70 975
Total	\$ 79,875

Note 7 -- Commitments and Contingencies

Leases

The Next Step, Scattered Site Transitional Housing, and Housing Now programs have month-to-month lease payments for apartment housing that range from \$1,075 to \$1,600. The longest non-cancellable housing lease, with rent at \$4,000 per month, will expire at the end of September 2021. Total minimum lease payments due under the lease is \$48,000 and \$12,000 in 2021 and 2022, respectively. The Organization also has an operating lease on equipment with payments of \$737 per month expiring in September 2024.

Housing facilities under the Next Step and Scattered Site Transitional Housing programs are subleased to the clients. Rental income from these program subleases was \$59,595 for fiscal year ended June 30, 2020.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

Note 7 -- Commitments and Contingencies (Continued)

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 \$1,432 for the year ended June 30, 2020.

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 \$48,742 for the year ended June 30, 2020.

Note 9 – Loan Payable

In April 2020, the Organization obtained a loan in the amount of \$38,400 with a financial institution established under the terms and conditions of the Small Business Administration program and the USA CARES Act. No payments are due for six months from the date of loan disbursement. The loan agreement provides for forgiveness of loan repayment if the Organization used all the loan proceeds for forgivable purposes as described in the agreement. During eight weeks from funding date, the Organization shall apply to the financial institution for loan forgiveness. If the Small Business Administration confirms full and complete forgiveness of the unpaid balance of the loan and reimburses the financial institution for the total outstanding balance, principal and interest, the Organization's obligations under the loan will be deemed fully satisfied and paid in full. If the Small Business Administration does not confirm forgiveness of the loan, or only partly confirms forgiveness of the loan, or the Company fails to apply for loan forgiveness, the Organization will be obligated to repay the total outstanding remaining balance due under the loan. Interest will accrue on the outstanding balance at a fixed rate not greater than 1.00%. Monthly payment amount of \$2,161 beginning seven months from initial loan disbursement, and loan maturity is two years from funding date of the loan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

Note 10 -- 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 \$2,067,392 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 2.57% per annum.

For the period beginning August 16, 2010 and until the period that is 10 years after July 29, 2010 ("Full Repayment Period"), if Organization does not default under the grant agreement during the Full Repayment Period, the Organization's obligation to pay the City of Glendale 50% of the note amount and all interest that has accrued during the Full Repayment Period shall be extinguished as of the end of the Full Repayment Period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

Note 10 -- Notes and Interest Payable (Continued)

City of Glendale- Conditional Grant Agreement and Repayment Note (Continued)

For the period commencing after the date that is 10 years and 1 day after the Full Repayment Period and the date that is 20 years after July 29, 2010 ("Pro Rata Repayment Period"), the Organization shall pay 5% of the principal owing on the note amount for each year the Organization has discontinued the use of the Access Center Homeless Services and Permanent Supporting Housing Units during the Pro Rata Repayment Period. If the Organization has continued the use of the Access Center for Homeless Services and Permanent Supporting Housing Units during the full duration of the Pro Rata Repayment Period, then the note amount and all interest accrued during the Pro Rate Repayment Period shall be extinguished.

2,067,392

Accrued interest payable 384,198

\$ 2,776,590

Note 11 -- 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. There were no uninsured cash balances at June 30, 2020.

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 47% of grant income and 37% of total revenue and support for the year ended June 30, 2020. The Organization is required to comply with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

Note 12 -- Related Party Transactions

Total contributions received from individual members of the board of directors and staff for the year ended June 30, 2020 were \$18,549.

Note 13 -- Liquidity and Availability of Resources

As part of the Organization's liquidity management, it maintains cash in excess of daily requirements in cash equivalents. Because donor restrictions require resources to be used in a particular matter, the Organization maintains sufficient resources to meet those responsibilities to its donors. The Organization primarily invests in money market funds that can be settled within two days to meet the Organization's expenditures. Cash is raised as soon as obligations arise.

The Organization's financial assets due within one year of the balance sheet date for general expenditures are as follows:

Financial Assets as of June 30, 2020:	
Cash and cash equivalents	\$ 315,111
Accounts and contribution receivable	974,496
Total financial assets available within one year	1,289,607
Less:	
Donor-imposed restrictions making financial	
assets unavailable for general expenditure	(63,641)
Total financial assets available within one year	\$ 1,225,966

Note 14 -- Subsequent Events

Management has evaluated subsequent events through April 28, 2021 which is the date the financial statements were made available to be issued.

The COVID-19 pandemic could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Organization, its performance, and its financial results. The related impact cannot be reasonably estimated at this time.



SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor / Pass-Through Grantor: Program Name	Catalog of Federal Domestic Assistance Number	Pass - Through Entity Identifying Number	Federal Awards Expenditures
U.S. Department of Housing and Urban Developm Passed-through the City of Glendale	nent:		
Emergency Shelter Grant Community Development Block Grant /	14.231	8000657	\$ 49,787
Community Outreach Program	14.218	8000575	10,000
Supportive Housing Program / Access Center / CES Reallocation	14.235	C106887, 8000705	546,388 *
Supportive Housing Program / Scattered Site Family Transitional Housing	14.235	C106902, 8000770	204,387 *
Supportive Housing Program / Next Step Permanent Housing	14.235	8000450, 8001030	164,188 *
Supportive Housing Program / Housing Now	14.235	8000451, 8000852	353,456 *
Passed-through the City of West Hollywood			
Community Development Block Grant / Community Outreach Program	14.218	C9603	30,379
Total expenditures of federal awards			<u>\$ 1,358,585</u>

Major programs

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

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, 2020 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 cash flows of the Organization.

Note 2 -- Outstanding Loans

The City of Glendale loaned the Organization \$2,067,392 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, 2020 was \$2,067,392.

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, 2020. The Organization did not elect to use the 10% de minimis indirect cost rate.