ASCENCIA
(a Not-for-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, 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, 2018, 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 September 10, 2018 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

September 10, 2018

ASCENCIA
(a Not-for-Profit Corporation)

STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2018

A S S E T S

CURRENT ASSETS:	
Cash and cash equivalents	$ 421,382
Grants receivable	334,967
Contributions receivable	50,000
Prepaid expenses	23,711
Security deposits	32,119
Total current assets	862,179
PROPERTY AND EQUIPMENT, NET	4,464,697
Total assets	$ 5,326,876

L I A B I L I T I E S   A N D   N E T   A S S E T S

CURRENT LIABILITIES:	
Accounts payable and accrued expenses	$ 127,762
Line of credit	105,609
Deferred revenue	8,114
Client savings deposit	22,233
Security deposits	12,500
Total current liabilities	276,218
Notes and accrued interest payable	2,644,190
Total liabilities	2,920,408
NET ASSETS:	
Unrestricted net assets -	
Unrestricted	2,049,300
Board designated	290,000
Temporarily restricted net assets	67,168
Total net assets	2,406,468
Total liabilities and net assets	$ 5,326,876

See accompanying notes to financial statements.

ASCENCIA
(a Not-for-Profit Corporation)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:			
Donations	$ 295,491	$ 96,420	$ 391,911
Grants	2,283,836	-	2,283,836
Special events revenue, net of $97,800 in costs of direct benefits to donors	231,425	-	231,425
Rental and other income	131,174	-	131,174
Gifts in-kind	250,335		250,335
Interest income	2,092	-	2,092
Net assets released from restrictions	92,085	(92,085)	-
Total revenue and support	3,286,438	4,335	3,290,773
EXPENSES:			
Program services	2,864,346	-	2,864,346
General and administrative	308,557	-	308,557
Fundraising	305,407	-	305,407
Total expenses	3,478,310	-	3,478,310
Increase (decrease) in net assets	(191,872)	4,335	(187,537)
Net assets, beginning of year	2,531,172	62,833	2,594,005
Net assets, end of year	$ 2,339,300	$ 67,168	$ 2,406,468

See accompanying notes to financial statements.

ASCENCIA
(a Not-for-Profit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services	General and Administrative	Fund Raising	Total
Payroll and benefits	$ 1,512,477	$ 108,290	$ 184,882	$ 1,805,649
Rent	481,723	5,273	810	487,806
Professional services	82,033	146,909	39,619	268,561
Professional services -Gifts in-Kind	250,335	-	-	250,335
Utilities	30,136	304	-	30,440
Building and maintenance	85,744	3,942	8,870	98,556
Insurance	63,204	4,525	7,726	75,455
Telephone	12,084	866	1,479	14,429
Office expense	97,960	7,014	12,127	117,101
Client expenses	31,793	-	-	31,793
Bank and payroll fees	-	17,780	-	17,780
Provision for bad debts	6,000		22,223	28,223
Recruitment and staffing	3,592	4,846	-	8,438
Auto and travel	17,530	29	49	17,608
Depreciation	125,863	5,787	13,020	144,670
Interest expense	6,278	289	649	7,216
Interest expense (see Note 9)	57,594	2,648	5,958	66,200
Miscellaneous	-	55	7,995	8,050
Total expenses	$ 2,864,346	$ 308,557	$ 305,407	$ 3,478,310

ASCENCIA
(a Not-for-Profit Corporation)

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (187,537)
Adjustments to reconcile change in net assets to net cash used in operating activities -	
Depreciation	144,670
Provision for bad debts	28,223
Changes in operating assets and liabilities --	-
Grants and contribution receivable	210,171
Prepaid expenses	28,969
Accounts payable and accrued expenses	(29,077)
Accrued interest	66,200
Deferred revenue	(16,522)
Client savings deposit	4,891
Net cash provided by operating activities	249,988
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	(195,605)
Net cash used in investing activities	(195,605)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on line of credit	(25,000)
Net cash used in financing activities	(25,000)
Net increase in cash and cash equivalents	29,383
Cash and cash equivalents, beginning of year	391,999
Cash and cash equivalents, end of year	$ 421,382
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the year for interest	$ 7,216

See accompanying notes to financial statements.

ASCENCIA
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 client-centered and use a trauma-informed approach 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. The on-site tele-psychiatric services 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.

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 42-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. The program is currently serving twelve households including 14 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.

- 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.

- Foundation grants such as Dignity Health 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.

Note 1 -- Organization (Continued)

- Winter Shelter programs in Northeast Los Angeles (35 beds). This program, which began in 2015-16, was renewed at the request of the City of Los Angeles and the Los Angeles Homeless Services Authority. 179 individuals were served between December 1, 2017 and March 14, 2018.

- 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, and reserves ten of emergency housing beds for West Hollywood referrals. Both of these contracts should be renewed for FY 2018-19 which will be year three of this partnership.

- In FY 2017-18 Ascencia expanded services by contracting with the Department of Health Services to provide intensive supportive services to 20 clients placed in permanent supportive housing through Housing for Health. The program will expand in 2018-19.

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.

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.

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

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 be uncollectible, as necessary.

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.

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, 2018.
>
> 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.

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

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, 2018.

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, 2018, 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, 2018.

Ascencia's Forms 990, Return of Organization Exempt from Income Tax, for years ended June 30, 2016, 2017 and 2018 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.

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

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.

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 2 -- Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which amends the requirements for financial statements and notes in ASC Topic 958-Not-for-Profit Entities. Provisions of this update include: the reduction in the number of net asset classes presented from three to two: with donor restrictions and without donor restriction; the requirement to present expenses by their functional and their natural classifications, in one location in the financial statements; the requirement to present quantitative and qualitative information about management of liquid resources and availability of financial assets to meet cash needs within one year of the statement of financial position date; and the retention of the option to present operating cash flows in the statement of cash flows using either the direct or indirect method. The update is effective for annual periods beginning after December 15, 2017. The Organization is currently evaluating the effects the adoption of this statement will have on the financial statements. The update is effective for the Organization's fiscal year ending June 30, 2019.

Note 3 -- Property and Equipment

Property and equipment are summarized as follows at June 30, 2018:

Vehicles	$ 25,589
Software	14,921
Furniture and fixtures	60,997
Equipment	71,971
Building and land	4,867,822
	5,041,300
Less accumulated depreciation	(576,603)
Total	$ 4,464,697

Depreciation expense amounted to $144,670 for the year ended June 30, 2018.

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, 2018 client saving deposits totaled $22,233.

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, 2018 and bears interest at the greater of prime or 5.0%. 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, 2018 was $105,609.

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, 2018.

Temporarily restricted net assets at June 30, 2018 are available for the following purposes:

Water fountains	$ 413
Homeless health education	54
Baby diapers	448
Client contacted through 100K Homes Campaign	2,860
Gardena	5,026
Personnel costs	13,389
Furnishings & Equipment	1,180
Advancing Ascencia	2,662
Literacy	41,136
Total	$ 67,168

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, 2018 are as follows:

Advancing Ascencia	$ 7,338
Financial Literacy	24,021
Personnel costs	58,906
Furnishing and equipment	1,820
Total	$ 92,085

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 $1,000 to $1,450. The longest non-cancellable apartment lease, with rent at $1,800 per month, will expire at the end of March 2019. Total minimum lease payments due under the lease is $ 10,800 and $5,400 in 2018 and 2019, respectively. The Organization also has an operating lease on equipment with payments of $875 per month expiring in September 2018.

Housing facilities under the Next Step and Scattered Site Transitional Housing programs are subleased to the clients. Rental income from these program subleases was $125,122 for fiscal year ended June 30, 2018.

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. There were no contributions for the year ended June 30, 2018.

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 $27,599 for the year ended June 30, 2018.

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 $2,067,392 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.

Note 9 -- 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	251,798
	$ 2,644,190

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. There were no uninsured cash balances at June 30, 2018.

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 63% of grant income and 44% of total revenue and support for the year ended June 30, 2018. 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.

Note 11 -- Related Party Transactions

Total contributions received from individual members of the board of directors and staff for the year ended June 30, 2018 were $86,387.

Contributions receivable as of June 30, 2018 include $50,000 from a former member of the board of directors.

Note 12 -- Subsequent Events

Management has evaluated subsequent events through September 10, 2018 which is the date the financial statements were made available to be issued.

SUPPLEMENTARY INFORMATION

ASCENCIA
(a Not-for-Profit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

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 Development:				
Passed-through the City of Glendale				
Emergency Shelter Grant	14.231	C106567	$ 49,754	
Community Development Block Grant / Community Outreach Program	14.218	C106554	20,000	
Community Development Block Grant/Solar Project	14.218	C106277	50,000	
Supportive Housing Program / Access Center / CES Reallocation	14.235	C105256, C106609	539,071	*
Supportive Housing Program / Scattered Site Family Transitional Housing	14.235	C106296, C106638	181,660	*
Supportive Housing Program / Next Step Permanent Housing	14.235	C106495, C106834	144,067	*
Supportive Housing Program / Housing Now	14.235	C106425, C106795	321,264	*
Passed-through Los Angeles Homeless Services Authority				
Emergency Shelter Grant	14.231	2017 WSP18	103,583	
Passed-through the City of West Hollywood				
Community Development Block Grant / Community Outreach Program	14.218	C8172	33,321	
***Federal Emergency Management Agency*:**				
Emergency Food and Shelter Program	97.024		6,001	
Total expenditures of federal awards			$ 1,448,721	

* Major programs

See accompanying note to schedule of expenditures of federal awarc

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

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, 2018 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 $2,067,392 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, 2018 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, 2018. The Organization did not elect to use the 10% de minimus indirect cost rate.