ASCENCIA
(a Not-for-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, 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, 2014, 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 December24, 2014, 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

December 24, 2014

ASCENCIA
(a Not-for-Profit Corporation)

STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2014

A S S E T S

CURRENT ASSETS:	
Cash and cash equivalents	$ 682,235
Grants receivable	227,194
Prepaid expenses	26,133
Security deposits	34,190
Other assets	18,147
Total current assets	987,899
PROPERTY AND EQUIPMENT, NET	4,006,688
Total assets	$ 4,994,587

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	$ 49,464
Line of credit	224,491
Accrued payroll	67,130
Client savings deposit	18,147
Security deposits payable	7,211
Note payable	15,300
Total current liabilities	381,743
Note payable	2,097,392
Total liabilities	2,479,135
NET ASSETS:	
Unrestricted net assets -	
Unrestricted	2,054,422
Board designated	290,000
Temporarily restricted net assets	171,030
Total net assets	2,515,452
Total liabilities and net assets	$ 4,994,587

See accompanying notes to financial statements.

ASCENCIA
(a Not-for-Profit Corporation)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:			
Donations	$ 468,484	$ 272,748	$ 741,232
Grants	1,377,287	-	1,377,287
Special events revenue, net of $69,378 in costs of direct benefits to donors	110,883	-	110,883
Rental and other income	34,042	-	34,042
Interest income	1,610	-	1,610
Net assets released from restrictions	120,082	(120,082)	-
Total revenue and support	2,112,388	152,666	2,265,054
EXPENSES:			
Program services	1,728,310	-	1,728,310
General and administrative	236,454	-	236,454
Fundraising	237,537	-	237,537
Total expenses	2,202,301	-	2,202,301
Increase (decrease) in net assets	(89,913)	152,666	62,753
Net assets, beginning of year	2,434,335	18,364	2,452,699
Net assets, end of year	$ 2,344,422	$ 171,030	$ 2,515,452

See accompanying notes to financial statements.

ASCENCIA
(a Not-for-Profit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014

	Program Services	General and Administrative	Fund Raising	Total
Payroll and benefits	$ 942,506	$ 145,241	$ 83,985	$ 1,171,732
Rent	277,005	8,747	5,832	291,584
Professional services	88,755	45,331	135,416	269,502
Utilities	31,917	1,008	672	33,597
Building and maintenance	97,778	3,072	2,048	102,898
Insurance	23,220	3,578	2,069	28,867
Telephone	16,568	2,553	1,476	20,597
Office expense	73,317	6,976	4,133	84,426
Client expenses	77,258	-	-	77,258
Bank and payroll fees	-	10,923	-	10,923
Property taxes	27,232	860	573	28,665
Recruitment and staffing	3,366	6,238	72	9,676
Auto and travel	15,025	-	-	15,025
Depreciation	44,768	1,414	943	47,125
Interest expense	7,885	249	166	8,300
Miscellaneous	1,710	264	152	2,126
Total expenses	$ 1,728,310	$ 236,454	$ 237,537	$ 2,202,301

ASCENCIA
(a Not-for-Profit Corporation)

STATEMENTS OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 62,753
Adjustments to reconcile change in net assets to net cash used in operating activities -	
Depreciation	47,125
Changes in operating assets and liabilities --	
Grants receivable	(78,518)
Prepaid expenses	(14,178)
Security deposits	725
Other assets	2,799
Accounts payable	(83,162)
Accrued payroll	(4,819)
Client saving deposit	(2,799)
Security deposits payable	(23)
Net cash used in operating activities	(70,097)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Sales of short-term investments	201,506
Purchase of property and equipment	(383,466)
Net cash used in investing activities	(181,960)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from note payable	179,991
Net proceeds from line of credit borrowings	224,491
Net cash provided by financing activities	404,482
Net increase in cash and cash equivalents	152,425
Cash and cash equivalents, beginning of year	529,810
Cash and cash equivalents, end of year	$ 682,235
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the year for interest	$ 8,300

See accompanying notes to financial statements.

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 entry point for all clients in the Glendale Continuum of Care by providing street outreach, comprehensive screening and assessment of client needs, and case management with specializations in mental health, employment, substance abuse recovery and veterans 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 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. An 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. In 2014, the Access Center prepared to implement the Coordinated Entry System, a new federal requirement for screening and prioritizing vulnerable homeless individuals and families for placement in permanent housing. 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 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; parents are not forced to separate and children of any age are permitted. Volunteers provide substantial enrichment to the program; for example, school age children receive tutoring from School on Wheels, and volunteers and Guest Chefs who purchase, prepare and serve dinner for the residents each night by utilizing 350 volunteers from 40 different churches, temples and social and service organizations over the course of each year.

- Scattered Site Transitional Housing for families provides social services support to help increase household income and provide up to one year of rental subsidy for apartment housing located throughout Glendale. The program focuses on helping families overcome the economic and emotional setbacks of homelessness and preparing them to return to their own market-rate or long-term subsidized unit, depending on their income-earning potential. Clients in this program are families with children who have at least one employed adult or adults fulfilling educational plans that will lead to better paying employment. At the close of the one year program, clients with sufficient income may opt to take over the lease on their unit. Staff seeks out longer-term subsidized housing for families with more persistent barriers to earning a living wage. The Scattered Site Transitional Housing program operated 12 units in fiscal year 2014. Due to changes in federal priorities for homeless programs, the transitional housing program was scheduled to change to permanent supportive housing for chronically homeless families in October 2014.

- 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 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.

- Supportive Services for Veteran Families (“SSVF”) is a U.S. Department of Veterans Affairs (“VA”) program supported by to assist homeless and at-risk veteran families. The goal of the SSVF program is to promote housing stability among very low-income veteran families who reside in or are transitioning to permanent housing. The Organization provides eligible veteran families with outreach, case management, and assistance in obtaining VA and other benefits. Ascencia concluded this program in fiscal year 2014.

Note 1 -- Organization (Continued)

- United Way awarded Ascencia's Access Center funding through its Home for Good Campaign, which seeks to end veteran and chronic homelessness in Los Angeles County by 2016.

- Ascencia operated the second year of its 80 bed winter shelter contract as part of the Los Angeles Homeless Services Authority's countywide seasonal program for homeless individuals.

- Social Innovation Fund Initiative provides supportive housing for vulnerable, high-cost users of crisis health services. Known locally as the 10th Decile Project, services include assisting clients in connecting to and navigating needed health, nutrition education, assistance with daily living, and other services to move each homeless high utilizing person into permanent supportive housing and provide the services needed to help them retain their housing and obtain reliable, integrated health care.

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.

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.

The Organization receives funding through federal, state, and municipal grants, foundation grants, and fund raising. Grant revenue includes exchange transactions under which revenue is recognized when earned and expenses are recognized when incurred. Grant receipts from exchange transactions not earned are reported as deferred revenue as of June 30, 2014, the Organization had no deferred revenue.

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, 2014.

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. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

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, 2014.

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, 2014., 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, 2014.

Ascencia's Forms 990, *Return of Organization Exempt from Income Tax*, for years ending June 30, 2011, 2012 and 2013 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 2 consists primarily of certificates of deposit.

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 -- Merger with The S.H. Ho Hope and Compassion Center

On December 20, 2012, the Organization entered into a merger agreement (the "Agreement") with The S.H. Ho Hope and Compassion Center ("S.H. Ho"), a California nonprofit public benefit corporation. The Agreement was filed with the California Secretary of State on December 27, 2012, which is the effective date ("Effective Date") of the merger. As of the Effective Date, S.H. Ho was merged with and into Ascencia, and the separate corporate existence of S.H. Ho ceased. The corporate identity, existence, purposes, powers, right, and immunities of S.H. Ho was merged into and vested in Ascencia. The corporate identity, existence, name, purposes, powers, rights, and immunities of Ascencia continue unaffected and unimpaired by the Agreement.

S.H. Ho was established in 2009 for the purpose of acquiring a commercial building at 1851 Tyburn Street in Glendale, rehabilitating the property, and leasing it to Ascencia for use in its Access Center and Emergency Shelter programs for 20 years. The funds for the project were obtained from a $2,097,392 City of Glendale conditional grant agreement. As further described in Note 11, repayment of the grant funds to the City of Glendale are subject to the terms and conditions of the conditional grant agreement. A City Repayment Note and a Trust Deed were executed in conjunction with the conditional grant agreement, which included terms for the note to be forgiven in part or in its entirety if the Organizations acquires and rehabilitates the Access Center and Permanent Supportive Housing Units, and operate a homeless access center and emergency shelter on the acquired property and leases the Permanent Supporting Housing Units for a period of 10 years and one day to 20 years.

The conditional grant agreement called for a matching of the City of Glendale grant, which was matched by a private foundation. The matching funds were used to assist with the rehabilitation of the Access Center and to acquire and rehabilitate an apartment building at 1911 Gardena Avenue in Glendale to be leased to Ascencia for use in its supportive housing program. The matching funds amounting to $2,100,000 are included as part of unrestricted net assets as of June 30, 2014.

In accordance with GAAP, Ascencia recorded in its financial statements, the fair value of identifiable assets acquired and liabilities assumed as of the Effective Date. The excess of the identifiable assets acquired over liabilities assumed is recognized as an inherent contribution in Ascencia's Statement of Activities. The acquisition costs associated with this merger were immaterial to Ascencia's financial statements.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the Effective Date:

Current assets	$ 214,981
Property –	
1851 Tyburn	1,425,000
1911 Gardena	1,550,000
Less liabilities:	
Current liabilities	(170,477)
Note payable	(1,640,864)
Net assets acquired	$ 1,378,640

Note 3 -- Merger with The S.H. Ho Hope and Compassion Center (Continued)

The estimated fair value of the identifiable assets acquired and liabilities assumed in the merger were determined based on fair value measurement inputs. With the exception of the two properties, the estimated fair values approximated the book values recorded by S.H. Ho. The fair values of the properties were based on recent appraisals that determined the 1851 Tyburn property was below book value by $1,089,419 and 1911 Gardena property exceeded book value by $312,158.

The net assets acquired in the merger were recorded as unrestricted in Ascencia's financial statements at the Effective Date. The inherent contribution of $1,378,640 was recorded as contribution income during the year ended June 30, 2013.

Note 4 -- Property and Equipment

Property and equipment are summarized as follows at June 30, 2014:

Vehicles	$ 25,589
Software	14,921
Furniture and fixtures	27,968
Equipment	56,273
Building and land	3,980,795
	4,105,546
Less accumulated depreciation	(98,857)
Total	$ 4,006,689

Depreciation expense amounted to $47,125 for the years ended June 30, 2014.

Note 5 -- Client Savings Deposits

As part of its program services, the Organization collects money orders from its clients, and the full amount is returnable to the clients. These funds are not recorded on the books of the Organization. For the years ended June 30, 2014 client saving deposits totaled $18,147.

Note 6 -- Line of Credit

The Organization maintains a one year, $300,000 revolving bank line of credit that renews each year. The current line of credit expires on September 30, 2014 and bears interest at the greater of prime or 5.5%. The line of credit balance at June 30, 2014 was $224,491.

In October 2014, the line of credit was renewed with maturity date of September 30, 2015.

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 $875 to $2,750. The longest non-cancellable apartment lease will expire at the end of December 2014. 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:

Year Ending June 30,	Amount
2015	$ 27,588
2016	9,588
2017	9,588
2018	2,397

For the years ended June 30, 2014 rent expense totaled $291,584.

Housing facilities under the Next Step and Scattered Site Transitional Housing programs are subleased to the clients. Rental income from these program subleases was $34,248 for fiscal years ended June 30, 2014

Other Commitment

In March 2014, the Organization entered into a construction contract to renovate the apartment building at 1911 Gardena Avenue in Glendale. The total committed amount was $405,388 at June 30, 2014. The committed amount was revised to $575,288 due to change orders as of November 2014.

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 contribution were $26,451 for the year ended June 30, 2014.

Note 9 -- 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, 2014.

Temporarily restricted net assets at June 30, 2014 are available for the following purposes:

Water fountains	$ 413
Homeless health education	54
Baby diapers	448
Client contacted through 100K Homes Campaign	2,860
Personnel costs	148,201
Furnishing and equipment	19,054
Total	$ 171,030

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, 2014 are as follows:

Personnel costs	$ 23,257
Furnishing and equipment	80,946
Powder coating for shelter beds	8,000
Computer hardware	5,780
Others	2,099
Total	$ 120,082

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 held at financial institutions was approximately $225,000 at June 30, 2014.

Note 10 -- Concentration Risk (Continued)

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 80% of grant income and 47% of total revenue and support for the year ended June 30, 2014. 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 -- Notes and Loan Payable

Notes and loan payable include the following:

City of Glendale- Note Payable

The Organization has a non-interest bearing note payable to the City of Glendale in the amount of $15,300 as of June 30, 2014. The funds were used to pay for security deposit on the lease of the Organization's office space and become due upon the earlier of termination of the lease of June 30, 2015. The note payable was paid in full in August 2014.

City of Glendale- Conditional Grant Agreement and Repayment Note

The conditional grant agreement in the amount of $2,097,392 entered into 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 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. 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 accrued interest. As of June 30, 2014 the outstanding balance of the note is $2,097,392.

Note 11 -- Notes and Loan Payable (Continued)

City of Glendale- Loan Payable

In April 2014, the Organization entered into a loan agreement with City of Glendale whereas the City will provide a loan in the amount of $325,000 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. The Organization has not drawn funds on the loan as of June 30, 2014.

Note 12 -- Related Party Transactions

Total contributions received from individual members of the board of directors and staff for the years ended June 30, 2014 were $35,003.

Note 13 -- Subsequent Events

Management has evaluated subsequent events through December 24, 2014, 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, 2014

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	C105403	$ 49,486	
Community Development Block Grant / Community Outreach Program	14.218	C105279	26,678	
Supportive Housing Program / Access Center Access Center	14.235	C105415	682,146	*
Supportive Housing Program / Scattered Site Family Transitional Housing	14.235	C105292	191,990	*
Supportive Housing Program / Next Step Permanent Housing	14.235	C105372	146,946	*
Passed through Los Angeles Homeless Service Authority Emergency Shelter Grant	14.231	2013WSP32	169,280	
Corporation for National and Community Service				
Social Innovation Fund	94.019	13-141-G	38,306	
U.S. Department of Veteran Affairs				
Supportive Services for Veteran Families	64.033	R12-CA-327	40,184	
Federal Emergency Management Agency:				
Emergency Food and Shelter Program	97.024		9,000	
Total expenditures of federal awards			$ 1,354,016	

* Major programs

See accompanying note to schedule of expenditures of federal awards

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

Note 1 -- Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.