

ASCENCIA
(a Not-for-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2023

WITH INDEPENDENT AUDITORS' REPORT

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LEE, SPERLING, HISAMUNE/ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS
500 NORTH BRAND BOULEVARD • SUITE 840 • GLENDALE, CALIFORNIA 91203
(818) 507-6645 • FAX (818) 507-7891

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,

Ascencia
Glendale, California

Report on the Audit of the Financial Statements

Opinion

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ascencia as of June 30, 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ascencia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ascencia's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ascencia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ascencia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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 schedule of expenditures of federal awards 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 February 22, 2024 on our consideration of the 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 solely 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 the effectiveness of the Ascencia's 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, Hiramune / Accountancy
Corporation*

Glendale, California
February 22, 2024

ASCENCIA
(a Not-for-Profit Corporation)

STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2023

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 1,372,737
Grants receivable	282,567
Unbilled revenue	567,284
Prepaid expenses	94,714
Security deposits	<u>22,275</u>
Total current assets	2,339,577

PROPERTY AND EQUIPMENT, NET

3,992,858

 Total assets

\$ 6,332,435

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 417,991
Settlement payable, current portion	60,000
Notes payable, current portion	103,370
Deferred revenue	56,439
Client savings deposit	4,025
Client rental deposits	10,226
Security deposits	<u>15,350</u>
Total current liabilities	667,401

OTHER LIABILITIES:

Settlement payable, net of current portion	120,000
Notes and accrued interest payable, net of current portion	<u>1,228,219</u>
Total liabilities	<u>2,015,620</u>

NET ASSETS:

Without donor restrictions	3,929,085
With donor restrictions	<u>387,730</u>
Total net assets	<u>4,316,815</u>

 Total liabilities and net assets

\$ 6,332,435

See accompanying notes to financial statements.

ASCENCIA
(a Not-for-Profit Corporation)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Donations	\$ 204,730	\$ -	\$ 204,730
Grants	3,793,691	828,811	4,622,502
Special events revenue	437,779		437,779
Less: Costs of direct benefits to donors	(86,203)		(86,203)
Rental and other income	128,619		128,619
Gifts in-kind	103,807		103,807
Interest income	4,777		4,777
Net assets released from restrictions	724,791	(724,791)	-
Forgiveness of loans and accrued interest	103,373		103,373
Total revenue and support	<u>5,415,364</u>	<u>104,020</u>	<u>5,519,384</u>
EXPENSES:			
Program services	4,674,771	-	4,674,771
General and administrative	834,397	-	834,397
Fundraising	330,025	-	330,025
Total expenses	<u>5,839,193</u>	<u>-</u>	<u>5,839,193</u>
Decrease in net assets	(423,829)	104,020	(319,809)
Net assets, beginning of year	<u>4,352,914</u>	<u>283,710</u>	<u>4,636,624</u>
Net assets, end of year	<u><u>\$ 3,929,085</u></u>	<u><u>\$ 387,730</u></u>	<u><u>\$4,316,815</u></u>

See accompanying notes to financial statements.

ASCENCIA
(a Not-for-Profit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and benefits	\$ 3,004,824	\$ 244,550	\$ 239,585	\$ 3,488,959
Rent	619,691	14,974	-	634,665
Professional services	231,056	176,254	14,852	422,162
Professional services - Gifts in-kind	97,867	-	-	97,867
Utilities	47,420	18,461	2,549	68,430
Building and maintenance	85,221	30,808	5,156	121,185
Insurance	84,486	13,258	5,990	103,734
Telephone	21,056	68,122	1,695	90,873
Office expense	125,929	24,084	128,730	278,743
Client expenses	105,641	-	-	105,641
Client expenses - Gifts in-kind	5,940	-	-	5,940
Bank and payroll fees	11,650	20,076	438	32,164
Recruitment and staffing	4,600	7,489	1,100	13,189
Auto and travel	33,273	20,359	496	54,128
Depreciation	139,163	11,326	11,096	161,585
Interest expense	56,954	4,636	4,541	66,131
Settlement expense	-	180,000	-	180,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	4,674,771	834,397	416,228	5,925,396
Less expenses included with revenues on the statement of activities	-	-	(86,203)	(86,203)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 4,674,771</u>	<u>\$ 834,397</u>	<u>\$ 330,025</u>	<u>\$ 5,839,193</u>

See accompanying notes to financial statements.

ASCENCIA
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STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (319,809)
Adjustments to reconcile change in net assets to net cash provided by operating activities -	
Depreciation	161,585
Extinguishment of loans and accrued interest	(103,373)
Changes in operating assets and liabilities --	
Grants receivable and unbilled revenue	323,249
Prepaid expenses and security deposits	(13,874)
Accounts payable and accrued expenses	92,726
Accrued interest	66,131
Security deposits	3,025
Deferred revenue	10,543
Settlement payable	180,000
Client savings deposit	(900)
Net cash provided by operating activities	<u>399,303</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	<u>(145,986)</u>
Net cash used in investing activities	<u>(145,986)</u>

 Net increase in cash and cash equivalents 253,317

Cash and cash equivalents, beginning of year 1,119,420

Cash and cash equivalents, end of year \$ 1,372,737

See accompanying notes to financial statements.

ASCENCIA
(a Not-for-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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, occupational therapy, tele-psychiatry, psychotherapy, art therapy for children, 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 Teams canvass streets to offer services to people experiencing homelessness, respond to calls from the community to help people experiencing homelessness, 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 makes 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, Northeast Los Angeles, Hollywood, and West Hollywood.

ASCENCIA
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1 -- Organization (Continued)

- Emergency Housing for 60-90 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 Megan's Law check, are encouraged to save 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 from School on Wheels, and volunteers and Guest Chefs purchase, prepare and serve meals for the residents each night by utilizing hundreds of 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.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1 -- Organization (Continued)

- Foundation grants such as Dignity Health Foundation, and Providence 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, occupational therapy, and other services to stabilize them in permanent supportive housing and to reduce their impact on emergency services.
- Ascencia's Homeless Services Liaison position served 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 was co-located at the City of Burbank Community Development Department. The position was 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. This position was eliminated by the City of Burbank in December 2020.
- The City of West Hollywood contracts with Ascencia to provide two street outreach teams, case management, reserves ten 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 200 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 property owners who are open to renting permanent housing space to homeless individuals and/or families.
- Ascencia began providing street outreach and case management services for the City of Los Angeles in 2021-22 to East Hollywood, Los Feliz, Midtown, and Koreatown. When Council District Boundaries changed in 2022, these services continued in East Hollywood and Los Feliz.
- Ascencia is contracted with CalAIM's Enhanced Care Management (ECM) with Managed Care Plans since 2021. ECM is a benefit for Managed Medi-Cal enrollees that aims to stabilize the health of the highest-need "Populations of Focus" who have multiple chronic conditions. ECM addresses the clinical, non-clinical, and social requirements of high-need individuals by providing dedicated care managers to coordinate services and help recipients understand, navigate, and utilize the full scope of their benefits. Ascencia has one Lead Care Manager providing services to Managed Care referred Medi-Cal enrollees who are experiencing homelessness.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1 -- Organization (Continued)

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.

In-Kind Contributions

The Organization receives contributed services from professionals such as therapy, case management, housing retention, crisis intervention and medical support to homeless individuals and families. Additionally the organization received contributed goods such as clothing, food items, gift cards or other items that are used and distributed to individuals in the various programs of the organization. The receipt of donated goods & 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 or gifts in-kind client expenses in the accompanying statement of functional expenses.

Volunteers contribute significant amounts of time to the Organization's program services; however, the financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria prescribed by US GAAP.

Contributions

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.

Contributions for which donors have not stipulated restrictions, as well as contributions for which the donor's stipulated restrictions but which are met with the same reporting period, are reported as without donor restrictions.

ASCENCIA
(a Not-for-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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

Gifts in Kind

Contributed non-financial assets include donated professional services and other in-kind contributions which are recorded at the respective fair values of the goods and services received (Note 13). In addition to contributed nonfinancial assets, volunteers contributed significant amounts of time to program services, administrative and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria prescribed in generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Unconditional promises to give, with payments due in future periods, are reported as with donor restrictions when the promises are received.

Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Government Contract Revenue

The Organization has contracts with certain governmental agencies to provide public services. Revenue is recognized in the period services are provided.

Deferred Revenue

Deferred revenue arises from advance payments received from governmental agencies and other sources prior to services being provided by the Organization.

Grants, Contributions Receivables and Unbilled Revenues

Grants and contributions receivable are stated as unpaid balances, less an allowance for doubtful accounts. Management evaluates the ability to collect receivables based on a combination of factors. An allowance for doubtful accounts is maintained based on the length of time receivables are past due and other factors. It is the Organization's policy to write off uncollectible receivables when management determines the receivable will not be collected. As of June 30, 2023, management determined a reserve for uncollectible accounts receivable is not necessary.

Contributions receivable are unconditional promises to give and are due in less than one year.

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

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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 as of June 30, 2023.

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, 2023, 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, 2023.

Ascencia's Forms 990, Return of Organization Exempt from Income Tax, for years ended June 30, 2021, 2022, and 2023 may be subject to examination by the Internal Revenue Service, generally for three years after they were filed.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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

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.

(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.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. 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.

Expenses are charged to program or supporting services based on direct expenditures incurred, when possible. Certain categories of expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis. Salaries and benefits are allocated on the basis of actual time and effort spent. Program supplies, postage, printing, training, entrance fees, rental dues, and other various program costs are allocated based on actual usage. Other activities such as telephone, occupancy, office supplies, depreciation, and professional fees are allocated based on a percentage determined by management.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. 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.

ASCENCIA
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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.

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.

Leases

On July 1, 2022, the Organization adopted ASU 2016-02 “Leases (Topic 842)”, which sets out the principles for the recognition measurement, presentation, and disclosure of leases for both lessees and lessors. ASU 2016-2 requires lessees to recognize the following for all leases with terms longer than 12 months: (a) a lease liability, and (b) a right-of-use asset. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

Leases with a term of 12 months or less will be accounted for similarly to previous accounting guidance for operating leases. It was determined by management that the implementation of ASU 2016-02 did not materially change the presentation of their leases.

ASCENCIA
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 3 -- Property and Equipment

Property and equipment are summarized as follows as of June 30, 2023:

Vehicles	\$ 187,188
Software	14,922
Furniture and fixtures	77,478
Equipment	203,478
Building and land	<u>4,825,775</u>
	5,308,841
Less accumulated depreciation	<u>(1,315,983)</u>
Total	<u>\$ 3,992,858</u>

Depreciation expense amounted to \$161,585 for the year ended June 30, 2023.

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, 2023 client saving deposits totaled \$4,025.

Note 5 -- Line of Credit

The Organization maintains a one year, \$400,000 revolving bank line of credit that is subject to renewal each year. The line of credit was renewed and expires on March 1, 2024, with variable interest rate subject to change based on the prime rate. The loan agreement requires that all assets are pledged as collateral and include certain covenants, which were substantially complied with by the Organization. There was no outstanding line of credit balance as of June 30, 2023.

Note 6 -- Net Assets With Donor Restriction

Net assets subject to donor restrictions as of June 30, 2023 are available for the following purposes:

Client needs	\$ 2,562
Housing and shelter operations	367,278
Intern supervision	5,000
Operations	1,365
Supportive services	<u>11,525</u>
Total	<u>\$ 387,730</u>

ASCENCIA
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 6 -- Net Assets With Donor Restriction (Continued)

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, 2023 are as follows:

Access Center - CES	\$ 54,202
Client needs	6,533
Vehicle and equipment purchases	109,652
Facility improvements	9,619
Housing and shelter operations	442,967
Mental health services	2,378
Operations	77,577
Supportive services	<u>21,863</u>
Total	<u>\$ 724,791</u>

Note 7 -- Commitments and Contingencies

Leases

The Next Step, Scattered Site Permanent Supportive Housing, and Housing Now programs have month-to-month lease payments for apartment housing that range from \$1,300 to \$4,990. The Organization has 4 non-cancellable housing leases with a total monthly rent of \$6,800. The longest lease is set to expire in January 2024, total minimum lease payments under these non-cancelable lease agreements amounts to \$25,450 for the fiscal year end in 2024.

Housing facilities under the Next Step, Scattered Site Permanent Supportive Housing, and Housing Now programs are subleased to the clients. Rental income from these program subleases was \$66,507 for the fiscal year ended June 30, 2023.

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.

The Organization is subject to certain claims that arise out of the normal operations of the Organization. In the opinion of management, the Organization has sufficient liability insurance to cover any such claims, and these matters will not have material effect on the financial position of the Organization.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 7 -- Commitments and Contingencies (Continued)

Legal Disputes

On April 22, 2022, the Organization was named as a defendant in a class action suit whereby a former employee and on behalf of other individuals similarly situated, are seeking monetary damages and restitutions for wage and employment related matters. Settlement payments will amount to \$180,000 to be paid in three installments of \$60,000 per year.

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 made no contributions for the year ended June 30, 2023.

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 \$47,854 for the year ended June 30, 2023.

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 the 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 an interest rate of four percent (4%) simple interest per annum. There are no periodic payments and the 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

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 9 -- Notes and Interest Payable (Continued)

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. For the period ending June 30, 2021, \$1,033,665 of principal and \$308,255 of accrued interest was extinguished.

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 Rata Repayment Period shall be extinguished. For the period ending June 30, 2023, \$103,373 of principal was extinguished.

	732,459
Accrued interest payable	<u>274,130</u>
	<u>\$ 1,331,589</u>
Maturities of notes payables and accrued interest for the five years ending:	
June 30, 2024	\$ 103,373
June 30, 2025	103,373
June 30, 2026	103,373
June 30, 2027	103,373
June 30, 2028	103,373

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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 \$865,101 in uninsured cash balances at June 30, 2023.

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 39% of grant income and 30% of total revenue and support for the year ended June 30, 2023. 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, 2023, were \$44,040.

Note 12 -- Liquidity and Availability of Resources

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization is substantially supported by contributions without donor restrictions and government grants. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and line of credit. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers funds and contributions restricted by time only and expected to be collected in the next fiscal year as available for general expenditures.

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.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 12 -- Liquidity and Availability of Resources (Continued)

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, 2023:	
Cash and cash equivalents	\$ 1,372,737
Accounts, contribution receivable and unbilled revenue	<u>849,851</u>
Total financial assets available within one year	<u>2,222,588</u>
Less:	
Donor-imposed restrictions making financial assets unavailable for general expenditure	<u>(387,730)</u>
Total financial assets available within one year	<u>\$ 1,834,858</u>

Note 13 – Contributed Non-Financial Assets

For the year ending June 30, 2023 Gifts In-Kind recognized within the statement of activities include:

Goods	\$ 5,940
Services	<u>97,867</u>
Total	<u>\$ 103,807</u>

Valuation Techniques - Contributed services are valued based on the estimated market value of service cost if purchased directly from a provider of similar services and similar credential/quality. Contributed goods are valued based on actual market value of goods provided in the open market.

Donor Restrictions - No restrictions on the use of services or goods were noted in the current fiscal year.

The Organization does not sell donated non-financial assets and only utilizes them in the ongoing activities of their programs.

Note 14 -- Subsequent Events

- a) Management has evaluated subsequent events through February 22, 2024, which is the date the financial statements were made available to be issued.
- b) Economic factors such as high inflation & potential recession create uncertainty and risk with respect to the Organization, its performance, and its financial results. The related impact cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

ASCENCIA
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Program Identification Number</u>	<u>Federal Awards Expenditures</u>
Program Cluster:			
CDBG – Entitlement Grants Cluster – U.S.			
Department of Housing and Urban Development			
Passed-through the City of Glendale -			
Community Outreach Program	14.218	8001928	\$ 23,204
Passed-through The City of West Hollywood -			
Community Outreach Program	14.218	10609	<u>44,579</u>
Total CDBG – Entitlement Grants Cluster			<u><u>67,783</u></u>
Other Programs:			
U.S. Department of Housing and Urban Development:			
Passed-through the City of Glendale -			
Emergency Solutions Grant	14.231	8001498	56,306
COVID 19 – Special Emergency Solutions Grant	14.231	8001343	95,332
Supportive Housing Program/Access Center/ CES Reallocation	14.235	8001445 8001878	* 532,168
Supportive Housing Program/Scattered Site Family Transitional Housing	14.235	8001927 8001503	* 236,908
Supportive Housing Program/Next Step Permanent Housing	14.235	8002240 8001890	* 187,706
Supportive Housing Program/Housing Now	14.235	8002239 8001889	* 403,688
Passed-through the City of Burbank -			
Continuum of Care Program	14.267		<u>51,919</u>
Total U.S. Department of Housing and Urban Development			<u><u>1,631,810</u></u>
U.S. Department of Homeland Security:			
Passed-through United Way –			
Emergency Food and Shelter National Board Program	97.024		<u>61,537</u>
Total U.S. Department of Homeland Security			<u><u>61,537</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 1,693,347</u></u>

* - Major program

See accompanying notes to schedule of expenditures of federal awards.

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2023

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, 2023 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 -- Cost Principles

The Organization applied cost principles under Title 2 US Code of Federal Regulation Part 200, Subpart E for year ended June 30, 2023. The Organization did not elect to use the 10% de minimis indirect cost rate.