



PATH (PEOPLE ASSISTING THE HOMELESS)
(A Non-Profit Corporation)

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION REQUIRED BY
THE UNIFORM GUIDANCE**

For The Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)
with

INDEPENDENT AUDITORS' REPORT THEREON



CERTIFIED PUBLIC ACCOUNTANTS

PATH (PEOPLE ASSISTING THE HOMELESS)
(A NON-PROFIT CORPORATION)

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Independent Auditors' Report

To the Board of Directors
PATH (People Assisting The Homeless)

We have audited the accompanying financial statements of PATH (People Assisting The Homeless) (the "Organization," a non-profit corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 Organization'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 Organization'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 PATH (People Assisting The Homeless) as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 appearing on pages 28 to 29 are presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and are 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 statement or 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 supplemental schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Report of Summarized Comparative Information

We have previously audited the Organization's June 30, 2017 financial statements, and we expressed an unmodified audit opinion on these audited financial statements in our report dated January 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2019 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Organization's internal control over financial reporting and compliance.

PDM, LLP

Torrance, California
January 9, 2019

PATH (PEOPLE ASSISTING THE HOMELESS)
(A NON-PROFIT CORPORATION)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017)

ASSETS	2018	2017
Current assets		
Cash and cash equivalents	\$ 5,386,853	\$ 1,835,449
Investments in certificates of deposit	-	1,005,619
Contracts and other receivable	10,260,407	8,653,067
Pledges receivable, current portion	425,000	125,000
Notes receivable, related party, current portion	16,442	15,957
Prepaid expenses and other assets	312,743	370,830
	16,401,445	12,005,922
Replacement reserve	3,373	3,373
Pledges receivable, net of current portion	575,000	550,000
Notes receivable, related party, net of current portion	259,766	276,208
Property and equipment, net	11,090,594	11,330,176
Beneficial interest in perpetual trust	36,882	34,250
	\$ 28,367,060	\$ 24,199,929
LIABILITIES AND NET ASSETS		
Current liabilities		
Line of credit	\$ -	\$ 1,200,000
Accounts payable and accrued expenses	1,951,270	2,040,787
Accrued payroll and related liabilities	1,966,312	1,624,378
Contract advances	4,222,643	1,177,609
Deferred rental income, current portion	7,351	7,333
Capital lease, current portion	27,075	25,251
Notes payable, current portion	2,132,582	1,998,543
	10,307,233	8,073,901
Deferred rental income, net of current portion	213,173	220,524
Capital lease, net of current portion	4,699	31,773
Notes payable, net of current portion, net of debt issuance cost	7,162,068	7,037,458
Interest payable	605,521	552,796
	18,292,694	15,916,452
Net assets		
Unrestricted	7,704,596	6,002,358
Temporarily restricted	2,369,770	2,281,119
	10,074,366	8,283,477
	\$ 28,367,060	\$ 24,199,929

*The accompanying notes are an
integral part of these financial statements*

PATH (PEOPLE ASSISTING THE HOMELESS)
(A NON-PROFIT CORPORATION)

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	2018			Summarized 2017 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUE AND SUPPORT				
Government contract income	\$ 27,838,533	\$ -	\$ 27,838,533	\$ 24,298,231
Fee for service contract income	10,774,182	-	10,774,182	6,355,236
Direct public support	4,023,532	750,000	4,773,532	5,011,062
Special events, net	1,365,374	-	1,365,374	814,730
In-kind revenue	2,354,010	-	2,354,010	84,297
Consulting fee income	340,000	-	340,000	-
Rental income	7,333	-	7,333	14,704
Interest income	10,151	-	10,151	5,970
Gain on sale of land	-	-	-	817,600
Other contracted revenue	447,599	-	447,599	433,305
Other income	78,562	-	78,562	228,894
Net assets released from restrictions	661,349	(661,349)	-	-
Total revenue and support	<u>47,900,625</u>	<u>88,651</u>	<u>47,989,276</u>	<u>38,064,029</u>
FUNCTIONAL EXPENSES				
Program services	38,442,981	-	38,442,981	31,831,113
Supporting services	6,280,639	-	6,280,639	5,484,783
Fundraising	859,009	-	859,009	429,277
Total expenses before depreciation and amortization	<u>45,582,629</u>	<u>-</u>	<u>45,582,629</u>	<u>37,745,173</u>
CHANGE IN NET ASSETS, before depreciation and amortization	<u>2,317,996</u>	<u>88,651</u>	<u>2,406,647</u>	<u>318,856</u>
Depreciation and amortization:				
Program services	285,883	-	285,883	277,781
Supporting services	329,875	-	329,875	320,527
Total depreciation and amortization	<u>615,758</u>	<u>-</u>	<u>615,758</u>	<u>598,308</u>
CHANGE IN NET ASSETS	1,702,238	88,651	1,790,889	(279,452)
NET ASSETS, beginning of year	<u>6,002,358</u>	<u>2,281,119</u>	<u>8,283,477</u>	<u>8,562,929</u>
NET ASSETS, end of year	<u>\$ 7,704,596</u>	<u>\$ 2,369,770</u>	<u>\$ 10,074,366</u>	<u>\$ 8,283,477</u>

*The accompanying notes are an
integral part of these financial statements*

PATH (PEOPLE ASSISTING THE HOMELESS)
(A NON-PROFIT CORPORATION)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	2018				Summarized 2017 Total
	Program	Supporting			
	Services	Services	Fundraising	Total	
PERSONNEL EXPENSES					
Salaries	\$ 15,867,866	\$ 2,352,433	\$ 470,280	\$ 18,690,579	\$ 15,307,958
Payroll taxes	1,179,449	315,529	33,900	1,528,878	1,259,133
Employee benefits	3,016,929	378,533	56,159	3,451,621	2,816,838
TOTAL PERSONNEL EXPENSES	<u>20,064,244</u>	<u>3,046,495</u>	<u>560,339</u>	<u>23,671,078</u>	<u>19,383,929</u>
OTHER EXPENSES					
Building maintenance	833,843	5,582	-	839,425	805,101
Community engagement	6,151	166,955	8,398	181,504	215,549
Direct client assistance	8,609,019	125,700	-	8,734,719	7,532,653
Equipment	197,521	41,594	259	239,374	208,995
Fundraising	-	-	200,994	200,994	119,626
Finance related fees	3,844	83,025	1,481	88,350	148,682
In-kind expenses	2,037,604	316,406	-	2,354,010	69,756
Insurance	140,683	108,122	-	248,805	206,770
Interest	52,834	448,489	-	501,323	409,076
Office expenses	169,629	185,675	355	355,659	345,338
Other expenses	174,809	15,400	-	190,209	324,451
Professional services	872,200	967,639	68,143	1,907,982	2,293,582
Program supplies, services, and transportation	607,493	155,747	4,621	767,861	602,368
Rent expense	204,096	19,328	-	223,424	208,793
Security	796,269	-	-	796,269	899,378
Staff training and recruitment	123,881	382,895	6,118	512,894	511,580
Sub-recipient grants	1,844,732	-	-	1,844,732	1,701,802
Telephone	729,735	88,516	-	818,251	751,752
Travel	320,462	118,824	8,301	447,587	348,983
Utilities	653,932	4,247	-	658,179	657,009
TOTAL OTHER EXPENSES	<u>18,378,737</u>	<u>3,234,144</u>	<u>298,670</u>	<u>21,911,551</u>	<u>18,361,244</u>
TOTAL EXPENSES					
BEFORE DEPRECIATION					
AND AMORTIZATION	38,442,981	6,280,639	859,009	45,582,629	37,745,173
Depreciation and amortization	<u>285,883</u>	<u>329,875</u>	<u>-</u>	<u>615,758</u>	<u>598,308</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 38,728,864</u>	<u>\$ 6,610,514</u>	<u>\$ 859,009</u>	<u>\$ 46,198,387</u>	<u>\$ 38,343,481</u>

*The accompanying notes are an
integral part of these financial statements*

PATH (PEOPLE ASSISTING THE HOMELESS)
(A Non-Profit Corporation)

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,790,889	\$ (279,452)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	615,758	598,308
Amortization of loan fees	30,638	25,407
Gain on sale of land	-	(817,600)
(Gain)/loss on beneficial interest in perpetual trust	(2,632)	(3,845)
Changes in operating assets and liabilities:		
Contracts receivable	(1,607,340)	(3,456,210)
Pledges receivable	(325,000)	(175,000)
Prepaid expenses and other assets	58,087	(50,532)
Accounts payable and accrued expenses	(89,517)	489,477
Accrued payroll and related liabilities	341,934	287,870
Contract advances	3,045,034	187,619
Increase in cash reserves	-	2,373
Deferred rental income	(7,333)	(7,333)
Interest payable	52,725	52,725
Net cash flows from operating activities	3,903,243	(3,146,193)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on notes receivable, related party	15,957	16,755
Purchases of property and equipment	(376,176)	(223,698)
Proceeds from maturity of certificate of deposit	1,005,619	-
Proceeds from sale of property and equipment	-	1,000,000
Reinvestment of interest income	-	(2,431)
Net cash flows from investing activities	645,400	790,626
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of line of credit	(1,200,000)	-
Principal payments on capital leases	(25,250)	(23,550)
Borrowings on notes payable, net of interest reserve	465,237	2,445,702
Principal payments on notes payable	(237,226)	(265,573)
Net cash flows from financing activities	(997,239)	2,156,579
Net change in cash and cash equivalents	3,551,404	(198,988)
Cash and cash equivalents, beginning of year	1,835,449	2,034,437
Cash and cash equivalents, end of year	\$ 5,386,853	\$ 1,835,449
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 417,961	\$ 330,944
Refinance of notes payable (Primary Madison & Santa Barbara)	\$ -	\$ 2,432,655

The accompanying notes are an integral part of these financial statements

PATH (PEOPLE ASSISTING THE HOMELESS)
(A Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - ORGANIZATION

PATH (People Assisting the Homeless) (the “Organization”) is a publicly-supported non-profit corporation established in California on October 19, 1984 for the specific purpose of meeting the needs of homeless and at-risk individuals in the Los Angeles area.

The Organization receives funding from government contracts as well as corporate and foundation grants and donations from individuals.

The Organization receives approximately 80% of its operating funds from government agencies. This funding is recognized as contract income when grant-purpose services are performed by the Organization. Government funding is provided by various ongoing contracts with the United States, County and City of Los Angeles, as well as other municipalities.

The Organization receives contributions in the form of restricted and unrestricted donations. The Organization received approximately 13% of its funding for operations from contributions made by private organizations and individuals, as well as special events.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - 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. 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 discretion 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 and net assets from non-governmental capital campaign contributions which are reflected as temporarily restricted over the estimated useful lives of the assets acquired.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the corpus be maintained permanently by the Organization. The donors of these assets permit the Organization to use all or part of the income or gains earned on related investments for general (unrestricted) or specific (temporarily restricted) purposes.

PATH (PEOPLE ASSISTING THE HOMELESS)
(A Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Revenues are reported as increases in unrestricted net assets unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Grants and Contributions - Contributions, including pledges, 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.

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets, or that require specialized skills, are provided by the individual possessing those skills and would typically need to be purchased, if not provided by donation, are recorded at the fair values in the period received. For the year ended June 30, 2018, the Organization recognized donated in-kind food valued at \$2,034,729.

Cash and Cash Equivalents - For the purpose of reporting cash flows, cash and cash equivalents include operating cash held in banks, money market funds, and investments with an original maturity of 90 days or less. The Organization maintains its cash balances in a financial institution, the balances of which may, at times, exceed federally insured limits.

PATH (PEOPLE ASSISTING THE HOMELESS)
(A Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Contracts Receivable - The Organization's contracts receivable primarily consist of reimbursements due from contracted government grant reimbursement requests. On a periodic basis, the Organization evaluates outstanding contracts receivable and establishes an allowance based upon a history of past write-offs and collections as well as current credit conditions. Management believes that contracts receivable are fully collectible at June 30, 2018, and as such, no allowance for uncollectible accounts has been recorded.

Government contract income is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the contract agreements.

Property and Equipment - Donated assets are recorded at their fair market value when received. Property and improvements are recorded at cost and depreciated using the straight-line method over the estimated useful lives ranging from five to thirty years. Normal repairs and maintenance are expensed as incurred. Expenditures that materially adapt, improve, or alter the nature of the underlying assets are capitalized. When property and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is credited or charged to income.

Management of the Organization assesses the recoverability of property and equipment whenever a triggering event occurs by determining whether the depreciation of such assets over their remaining lives can be recovered through projected undiscounted cash flows. The amount of impairment, if any, is measured based on fair value (projected discounted cash flows) and is charged to operations in the period in which such impairment is determined by management. To date, management has not identified any impairment of property and equipment.

Long-lived Assets - The Organization owns significant long-lived assets, which are used in its operations. These assets are subject to changes in value, including potential declines in value, depending on events or changes in circumstances. 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 long-lived assets exist at June 30, 2018.

Investment in Limited Partnership - Investments in partnerships are accounted for under the equity method. In accordance with the partnership agreement, as amended and restated, the Organization's cost is increased for its share of profits and reduced by distributions and its share of losses, as the Organization, as a limited partner, does not effectively control the partnership investment. The Organization shall discontinue the equity method if the investment (and net advances) is reduced to zero and shall not provide for additional losses unless the Organization has guaranteed obligations of the investee or is otherwise committed to provide further financial support for the investee. The Organization performs impairment testing on all existing investments in partnerships at least annually.

PATH (PEOPLE ASSISTING THE HOMELESS)
(A Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value Measurements - The Organization defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization measures fair value under a framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities valued using level 3 inputs were primarily valued using managements' assumptions about the assumptions market participants would utilize in pricing the assets or liability. Valuation techniques utilized to determine fair value are consistently applied.

Beneficial Interest in Perpetual Trust - The Organization is a beneficiary of the PATH Endowment Fund (the "Fund"), which was established in 2008. The Organization is entitled to a distribution of the income on an annual basis as determined by the Board of Directors of the California Community Foundation, the Fund administrators. During the fiscal year, the Fund's fair value is measured using level 2 under the fair value hierarchy and had a gain of \$2,632, which is included in other income.

Contract Advances - Contract advances represents monies received on contract agreements in advance of services being performed from government agencies.

Deferred Financing Costs - Deferred financing costs are amortized on a straight-line basis over the life of the respective loan and amortization expense, totaling \$30,638 for the year ended June 30, 2018, is included in interest expense. As of June 30, 2018, capitalized deferred financing costs are \$50,846 presented net of \$61,393 accumulated amortization, as an offset to the related notes payable.

Fee for Service Contract Income - The Organization serves as a vendor to help the VA fulfill its Veterans Affairs Supportive Housing grant from the United States Department of Housing and Urban Development ("HUD") and treats this income as fee for service income.

PATH (PEOPLE ASSISTING THE HOMELESS)
(A Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Sub-recipient Grants - The Organization receives pass-through grants. The revenue from these grants are reflected in the accompanying statement of activities as contract income while the grant award to sub-recipients is reflected as sub-recipient grants expense in the accompanying statement of functional expenses. The grants are listed in the accompanying schedule of expenditures of federal awards and corresponding notes to the schedule of expenditures of federal awards.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. During the year, costs are categorized into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support activities by the method that best measures the relative degree of benefit.

Program services - Expenses include costs that primarily relate to client services and outreach programs.

Supporting services - Expenses include costs that primarily relate to management and general administration.

Fundraising - Expenses include costs that primarily relate to fundraising activities to obtain grants and generate revenue through contributions.

Income Taxes - The Organization is a qualified non-profit organization under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is not classified as a private foundation. Non-profit organizations are not generally liable for taxes on income; therefore, no provision is made for such taxes for the Organization in the financial statements. During the year ended June 30, 2018, the Organization had no unrelated business income.

In accordance with accounting principles generally accepted in the United States of America, the Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not of being sustained in an audit, based on the technical merits of the position. To date, the Organization has not recorded any uncertain tax positions. During the year ended June 30, 2018, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions. As of June 30, 2018, all federal tax returns since the 2014 tax year and state tax returns since the 2013 tax year are still subject to adjustment upon audit. No tax returns are currently being examined by taxing authorities.

PATH (PEOPLE ASSISTING THE HOMELESS)
(A Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Risks and Uncertainties - Certain services of the Organization are governed by grant agreements with governmental agencies. All such grant agreements to which the Organization currently is a party of are for fixed terms and expire on an annual basis. There can be no assurance 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.

Reclassifications and Comparative Totals - Certain amounts presented in previous financial statements have been reclassified to conform to current presentation. The financial statements include certain prior year summarized comparative information in total, but not by net asset class. In addition, the notes to the financial statements do not contain the financial information on a comparative basis. Such summarized information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Subsequent Events - Subsequent events have been evaluated by the Organization through January 9, 2019, which is the date these financial statements were issued, and no subsequent events have arisen, other than those described in these financial statements, that would require disclosure.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2018 consists of:

Building and improvements	\$ 15,287,138
Furniture and equipment	1,922,392
Automobiles	<u>128,687</u>
	17,338,217
Less: accumulated depreciation and amortization	(8,814,367)
Land	<u>2,566,744</u>
	<u>\$ 11,090,594</u>

PATH (PEOPLE ASSISTING THE HOMELESS)
(A Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - INVESTMENT IN LIMITED PARTNERSHIP

The Organization owns a 99.9% limited partner interest in Gramercy Court, LP (“Gramercy Court”), a limited partnership. The Organization is related to the general partner, Path Ventures, a non-profit corporation, through common board membership. Gramercy Court owns a sixteen-unit residential building (the “Project”) in Los Angeles, California, consisting of affordable housing as well as commercial space for child care, a barbershop, and another space rented to the Organization for program operations. The Organization was under contracts with HUD and other public agencies to operate the Project. These contracts provide substantial funding that support the Project’s operations.

The financial position of Gramercy Court is summarized below, as of December 31, 2017, its most recent audited financial statements:

Cash	\$ 164,413
Tenant and other receivables	6,159
Property and equipment, net	<u>1,236,345</u>
Total assets	<u>\$ 1,406,917</u>
Current and other liabilities	\$ 70,473
Notes payable - forgivable	976,553
Accrued interest payable - forgivable	472,022
Partners' deficit	<u>(112,131)</u>
Total liabilities and partners' deficit	<u>\$ 1,406,917</u>

As a limited partner, the Organization has not committed to provide further financial support to, or guaranteed obligations of, Gramercy Court. The equity method of accounting discontinues, and the investment balance carries at zero, once the investor’s share of the investee’s losses is greater than the balance of the investment. During 2013, the Organization’s investment in Gramercy Court was reduced to zero as the Organization’s share of Gramercy Court’s cumulative losses exceeded the Organizations investment in Gramercy Court.

NOTE 5 - LINE OF CREDIT

The Organization had an unsecured line of credit for \$250,000 with a financial institution that matured January 31, 2018. Interest on the outstanding borrowings was charged monthly at 5%. The Organization paid off this line of credit prior to its maturity date.

The Organization had a secured line of credit for \$950,000 due to the same bank on which interest was charged, monthly, at 1.03%. The line was secured by a \$950,000 certificate of deposit issued by the same financial institution, due April 28, 2018. The Organization paid off this line of credit prior to its maturity date.

PATH (PEOPLE ASSISTING THE HOMELESS)
(A Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - NOTES PAYABLE

Notes payable at June 30, 2018 are summarized as follows:

Unsecured notes payable to a foundation due June 30, 2024 with the following monthly payments and interest rates:

\$4,892 at 3%.	\$ 321,986
\$742 at 5%.	46,101
\$742 at 5%.	46,101
\$835 at 5%.	51,853
\$408 at 5%.	25,316
\$1,421 at 5%.	88,251

Note payable to a non-profit financial institution, secured by deed of trust on real property at 816 Cacique St., #A, Santa Barbara, California, due in monthly installments of interest only at 5.75%. The note matures April 19, 2021 with the option of extending the maturity date for up to one year. The lender retained \$357,000 for interest reserve, of which \$168,622 has been drawn. The remaining \$188,378 is netted against the gross loan amount. 2,511,622

An unsecured note payable from a debtor split into two separate notes, as follows:

Note for \$100,000 payable in monthly installments of \$1,036 including interest at 4.5%, annually, and matures May 2024.	64,496
Note payable for \$30,000 bearing interest at 4.5% annually, requiring no monthly payments, and matures June 2019.	30,000

Note payable to a bank ("Primary Madison Note"), secured by a deed of trust on real property at 340 N. Madison Avenue, Los Angeles, California, ("Madison Property"), due in monthly installments of principal and interest ranging from \$13,033 to \$17,225 through August 1, 2026, interest payable at 4.75%. 2,363,000

Note payable to Housing Authority of the County of Los Angeles ("HACOLA"), secured by a deed of trust on the Madison Property, bearing interest at 3% per annum, due September 2031. Principal and interest payments are due annually out of the affordable housing project grant. Unpaid interest on this note at June 30, 2018 is \$461,356, which is included in interest payable. This note is subordinate to the Primary Madison Note. 909,450

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - NOTES PAYABLE, continued

Note payable to a bank (“Primary Cotner Note”), secured by deed of trust on real property at 2346 Cotner Avenue, Los Angeles, California, due in monthly installments of principal and interest of \$4,684 through October 1, 2017, interest payable at 5.25%. The Organization paid off the entire balance in October 2017. -

Note payable to the Community Redevelopment Agency (“CRA”), secured by a deed of trust on real property at 2346 Cotner Avenue, Los Angeles, California, bearing interest at 3% per annum, due October 2069. Principal and interest payments are due annually out of residual receipts of the affordable housing project. Unpaid interest on this note at June 30, 2018 is \$144,165, and included in interest payable in the statement of financial position. This note was subordinated to the Primary Cotner Note. 848,017

Note payable to a non-profit financial institution, secured by deed of trust on real property at 5627 Fernwood Avenue, Los Angeles, California, due in monthly installments of interest only at the LIBOR rate plus 4.5%, due May 30, 2019. 1,739,000

Note payable to the City of Los Angeles Housing and Community Investment Department, secured by a deed of trust on real property at 340 N. Madison Ave., Los Angeles, California, bearing interest at 0%, due July 1, 2023. This note earns forgiveness of \$50,000 annually, provided that the Organization continues to be in compliance with loan covenants. The Organization was in compliance with such covenants at June 30, 2018. 250,000

Total notes payable as of June 30, 2018	9,295,193
Less: current portion	(2,114,582)
Less: deferred financing cost, net	(50,846)
	<u>\$ 7,129,765</u>

Related Party - At June 30, 2018, the Organization had a \$50,303 unsecured, non-interest bearing liability due to a former founder of an acquired non-profit. The Organization agreed to make monthly \$1,500 payments to reduce the liability.

PATH (PEOPLE ASSISTING THE HOMELESS)
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - NOTES PAYABLE, continued

Future minimum required annual gross principal payments on notes payable for the years ending June 30, are:

	<u>Related party</u>	<u>Other</u>	<u>Total</u>
2019	\$ 18,000	\$ 2,114,582	\$ 2,132,582
2020	18,000	360,486	378,486
2021	14,303	2,887,175	2,901,478
2022	-	390,794	390,794
2023	-	406,261	406,261
Thereafter	-	3,135,895	3,135,895
	<u>\$ 50,303</u>	<u>\$ 9,295,193</u>	<u>\$ 9,345,496</u>

For the loans from the CRA and the HACOLA, principal and interest payments are due annually and payable only through the residual receipts of the related affordable housing project. If the residual receipts are insufficient, no annual payments will be due as long as the Organization is in compliance with the conditions and covenants of the agreements with the respective agencies and maintains the properties as emergency shelters or transitional housing. Since the Organization has historically had no residual receipts and anticipates remaining in compliance with the related agreements, all amounts due under these notes are reflected in the respective year the related note matures in the above table. There was no recognition of loan and interest forgiveness for the year ended June 30, 2018.

NOTE 7 - DEFERRED RENTAL INCOME

The Organization subleases certain space at the Madison Property for 15 years for a lump-sum amount of \$220,524 paid in advance. Rental income will be recognized on a straight-line basis over the life of the agreement at \$7,351 per year. The unamortized balance is included in deferred rental income.

NOTE 8 - SPECIAL EVENTS

The Organization held several special events during the year ended June 30, 2018. Revenues and expenses from the events were as follows:

	<u>Revenues</u>	<u>Expenses</u>	<u>Net</u>
Imaginary Feast	\$ 951,602	\$ 33,035	\$ 918,567
Making it Home	456,907	10,100	446,807
	<u>\$ 1,408,509</u>	<u>\$ 43,135</u>	<u>\$ 1,365,374</u>

PATH (PEOPLE ASSISTING THE HOMELESS)
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

As a result of the Beyond Shelter acquisition in fiscal year 2016, the Organization has a temporarily restricted net asset of \$250,000 that originated from a 2001 grant by HUD towards rehabilitation of the Courtyard property. The grant restricted the use of the Courtyard for 20 years, through 2021, after which this restriction will be released. The Courtyard property was sold as a result of an auction on July 19, 2012. However, the restriction from Los Angeles Homeless Services Authority (“LAHSA”) was not released in connection with the sale. The Organization is communicating regarding the potential release on this restriction with LAHSA, the agency authorized by HUD to enter into contract with the Organization. The Organization will not release the restriction until there exists a mutually agreeable resolution with LAHSA.

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

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2018</u>
Restriction as noted above from				
Beyond Shelter net asset acquisition	\$ 250,000	\$ -	\$ -	\$ 250,000
Santa Barbara grant	675,000	-	(125,000)	550,000
Healthcare and other patient care services	-	450,000	(150,000)	300,000
Housing focused homeless services	-	300,000	(150,000)	150,000
Land and building at the Madison Property, restricted for affordable housing for program participants through September 2031 of \$7,478,066, net of accumulated depreciation of \$3,949,724, and original outstanding loan balances of \$2,408,572	<u>1,356,119</u>	<u>-</u>	<u>(236,349)</u>	<u>1,119,770</u>
	<u>\$ 2,281,119</u>	<u>\$ 750,000</u>	<u>\$ (661,349)</u>	<u>\$ 2,369,770</u>

Net assets were released from donor restrictions by depreciation expense, increase of notes payable and usage of temporarily restricted contributed funds. The summary of net assets released during the year ended June 30, 2018 is as follows:

Release of temporarily restricted net assets related to the Madison Property:	
Depreciation expense on buildings at the Madison Property	\$ 236,349
	<u>\$ 236,349</u>

The Madison Property was purchased with primarily non-governmental capital campaign funds raised specifically for this building. Therefore, the net book value of the building (net of related loans) is considered to be temporarily restricted.

PATH (PEOPLE ASSISTING THE HOMELESS)
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - RETIREMENT PLAN

The Organization maintains a deferred annuity plan under IRC Section 403(b) which covers all full time employees who have been employed by the Organization for at least two years. Employee contributions are voluntary. Employer contributions are five percent of qualified wages. The Organization's contribution for the year ended June 30, 2018 was \$456,107.

NOTE 11 - RELATED PARTY TRANSACTIONS

Note Receivable from Former Affiliate - As of June 30, 2018, amounts due from Deep Green Housing and Community Development ("Deep Green"), formerly related by common board membership of a non-profit acquired in 2016, totaling \$276,208, net of an allowance for uncollectible amounts of \$200,000, represent advances made by the acquired entity to Deep Green in previous years. The receivable is scheduled to be paid in monthly installments of \$1,692 of principal and interest at 3% through December 10, 2025. Reductions will be made against the note receivable in exchange for in-kind rent of \$3,542 per month, beginning on October 1, 2022 as discussed below.

In-kind Rent from Former Affiliate - The Organization currently utilizes the facility at premises owned by Deep Green located at 5101 South Broadway, Los Angeles, California in exchange for building improvements made by the Organization on the premises. Deep Green agreed to extend the agreement to the Organization for a portion of its aforementioned gross receivable due to the Organization at an estimated value of \$3,542 per month that will be considered as in-kind rental income by the Organization at the rate of \$3,542 per month beginning October 1, 2022 through September 30, 2030.

Path Partners and Path Partners Associates, non-profit corporations, are related to the Organization through common board membership.

Accounts receivable from related parties of \$77,061 are included in contracts and other receivables in the statement of financial position.

Accounts receivable and notes receivable balances due from related parties consist of the following as of June 30, 2018:

	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Total</u>
Deep Green	\$ -	\$ 276,208	\$ 276,208
Gramercy Court	22,923	-	22,923
Path Partners	7,580	-	7,580
Path Ventures	46,558	-	46,558
	<u>\$ 77,061</u>	<u>\$ 276,208</u>	<u>\$ 353,269</u>

PATH (PEOPLE ASSISTING THE HOMELESS)
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - RELATED PARTY TRANSACTIONS, continued

Notes Receivable - During the fiscal year ended June 30, 2018, the Organization loaned Path Ventures various amounts totaling to \$595,000 at 1.22% to 6% interest, due at various dates ranging from October 15, 2017 through March 31, 2018. Path Ventures repaid all outstanding loans to the Organization during the fiscal year ended June 30, 2018.

Gramercy Court Lease - During the year ended June 30, 2018, the Organization leased premises at \$2,200 on a month-to-month basis from Gramercy Court, totaling to \$26,400.

Partnership Costs - As a limited partner, the Organization pays part of Gramercy Court's utilities and maintenance expenses totaling to \$73,715. These expenses are included in other expenses for the year ended June 30, 2018.

Consulting Fee Income - The Organization received \$300,000 from Villas on the Park San Jose, LP, which is 0.0035% owned by Path Ventures, for community engagement and program design services and \$40,000 from an unrelated party during the fiscal year ended June 30, 2018.

In-kind Rent - The Organization provides certain administrative offices at the 340 Madison site to PATH Ventures free of charge. Management estimates the fair market value of the rent is approximately \$26,593 for the year ending June 30, 2018, which is included in in-kind revenue and in-kind expense.

Gramercy Court owns the premises from which the Organization operates and provides this to the Organization in-kind. Management estimates the fair value of the rent is approximately \$26,796 for the year ended June 30, 2018, which is included in in-kind revenue and in-kind expense.

Contracted employees - The Organization donates certain executive staff and other personnel time to Path Ventures totaling \$263,017, which is included in in-kind revenue and in-kind expense.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Operating Leases - The Organization leases a program service facility for \$400 per month under a month-to-month agreement from an unrelated party.

The Organization also has non-cancelable operating leases agreements for office equipment with minimum monthly payments ranging from \$134 to \$2,409 through July 2022. The costs are included in office expenses.

PATH (PEOPLE ASSISTING THE HOMELESS)
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - COMMITMENTS AND CONTINGENCIES, continued

In-kind Rent - The Organization performs program services at a facility in Los Angeles (known as “Broadway Village II,” or “BVII”) under an operating lease agreement with Deep Green expiring in September 2022. The lease agreement requires minimum monthly payments of \$1 per month through the lease term and the Organization is required to finance certain leasehold improvements to the BVII property as defined under the lease agreement. Since 2009, the Organization has paid or financed \$467,388 in leasehold improvements to BVII, which is included in property and equipment. No value has been assigned to in-kind rent since the value cannot be estimated.

Agreement - The Organization acquired an agreement with the City of Santa Barbara and County of Santa Barbara, which stipulate various restrictions regarding the use of the Santa Barbara shelter through 2059. According to the agreement related, to the \$1,112,035 grant, the Organization is required to operate the shelter in compliance with provisions of the agreement, such that no fees may be charged for any shelter or services provided unless the amount and purpose of the fee is first approved in writing by City of Santa Barbara and County of Santa Barbara. Although this is a possibility, management deems the contingencies unlikely and intends to meet the conditions as set forth in the provisions of the agreement.

The Organization entered into an agreement with LAHSA, which stipulates various restrictions regarding the use of the Fernwood shelter through 2025. According to the agreement, related to the \$600,000 grant, the Organization is required to operate the shelter in compliance with provisions of the agreement. Although this is a possibility, management deems the contingencies unlikely and intends to meet the conditions as set forth in the provisions of the agreement.

Guarantees - The Organization has provided a co-guarantee with Path Ventures on the development of a low income housing project, for which Path Ventures is a managing general partner. Under the co-guarantee the Organization and Path Ventures provide assurance of project completion and provide repayment guarantees for certain project loans. The guarantees generally terminate when construction is complete and permanent financing repays the construction loans and will expire through the terms of the underlying agreements. As management of the Organization believes that the possibility is remote that an obligation of payment will be required, no liability has been recorded for this guarantee as of June 30, 2018.

Capital Leases - The Organization leases equipment under a capital lease that expires in August 2019. The lease agreement calls for annual payments of \$28,440 at an interest rate of 7% per annum. The assets and liabilities under capital leases were recorded upon lease inception at the lower of present value of minimum lease payments or fair market value of the related assets. The assets are depreciated over their estimated useful lives.

PATH (PEOPLE ASSISTING THE HOMELESS)
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - COMMITMENTS AND CONTINGENCIES, continued

Included in property and equipment at June 30, 2018 are the following assets held under capital leases:

Equipment	\$ 119,704
Less: accumulated depreciation	<u>(101,296)</u>
	<u>\$ 18,408</u>

Future minimum lease payments for assets under capital leases for years ending June 30 are as follows:

2019	\$ 28,440
2020	<u>4,741</u>
	33,181
Less: amount representing interest	(1,407)
Less: current portion	<u>(27,075)</u>
	<u>\$ 4,699</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
PATH (People Assisting The Homeless)

We have audited, 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, the financial statements of PATH (People Assisting The Homeless) (the "Organization") which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 9, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PDM, LLP

Torrance, California
January 9, 2019

**INDEPENDENT AUDITORS'
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND
REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED
BY THE UNIFORM GUIDANCE**

To the Board of Directors
PATH (People Assisting The Homeless)

Report on Compliance for Each Major Federal Program

We have audited PATH (People Assisting The Homeless)'s (the "Organization") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2018. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended June 30, 2018, and have issued our report thereon dated January 9, 2019, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 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.

PDM, LLP

Torrance, California
January 9, 2019

PATH (PEOPLE ASSISTING THE HOMELESS)
(A Non-Profit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance (CFDA) Number	Contract Grant Number	Federal Awards Expenditures	Sub-recipients
U.S. Department of Agriculture				
Child and Adult Care Food Program (CNIPS)	10.558	Vendor # Q99900	\$ 20,613	\$ -
Total U.S. Department of Agriculture			<u>20,613</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
Direct programs:				
Continuum of Care Program	14.267	CA0384L9D001609	214,978	-
Continuum of Care Program	14.267	CA0469L9D001508	139,370	-
Continuum of Care Program	14.267	CA1115L9D011605	667,743	-
Total programs			<u>1,022,091</u>	<u>-</u>
Pass-through programs from:				
City of Long Beach				
Continuum of Care Program	14.267	CA0650U9D061609	280,889	-
San Diego Housing Commission				
Community Development Block Grant	14.218	SHI-13-06.4	276,408	-
Emergency Solutions Grant Program	14.231	SHI-13-06.4	123,631	-
Emergency Solutions Grant Program	14.231	HHI-17-03b	182,970	-
Continuum of Care Program	14.267	HHI-17-11K	233,566	-
Moving to Work Demonstration Program	14.881	SBS3-HAP	260,425	-
Los Angeles Homeless Services Authority				
Continuum of Care Program	14.267	CA0371L9D001609	141,476	-
Continuum of Care Program	14.267	CA0425L9D001609	81,008	-
Continuum of Care Program	14.267	CA1343L9D001609	134,355	-
Family Transition Program	14.267	2017CNGFH183	67,934	-
Emergency Solutions Grant Program	14.231	2017CESF04	2,846,508	-
Emergency Solutions Grant Program	14.231	2017CESSAY39	412,541	-
Housing Authority of the County of Los Angeles				
Continuum of Care Program	14.267	CA1343L9D001501	11,760	-
City of San Jose				
Emergency Solutions Grant Program	14.231	ESG-15-007B	369,385	-
Harbor Interfaith Services				
Community Development Block Grant	14.218	N/A	131,199	-
St. Vincent de Paul Village, Inc. dba Father Joe's Village				
Community Development Block Grant	14.218	N/A	36,744	-
City of Santa Barbara				
Community Development Block Grant	14.218	25812A	34,511	-
County of Santa Barbara, Housing and Community Development Commission				
Community Development Block Grant	14.218	CN21436	17,662	-
Home Investment Partnership Program	14.239	CN20190	15,909	-
County of Santa Barbara, Community Services				
Emergency Solutions Grant Program	14.231	BC-17243	104,496	-
Total programs			<u>5,763,377</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>6,785,468</u>	<u>-</u>

PATH (PEOPLE ASSISTING THE HOMELESS)
(A Non-Profit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance (CFDA) Number	Contract Grant Number	Federal Awards Expenditures	Sub-recipients
U.S. Department of Labor				
Direct programs:				
Homeless Veterans Reintegration Project	17.805	HV-30691-17-60-5-6	309,000	-
Pass-through programs from:				
County of Santa Barbara				
Homeless Veterans Reintegration Project	17.805	HV-27449-15-60-5-6	100,000	-
Total U.S. Department of Labor			<u>409,000</u>	<u>-</u>
U.S. Department of Veterans Affairs				
Direct programs:				
Grants and Per Diem Program	64.024	PATH196-0430-691-LD-18-0	203,537	-
Grants and Per Diem Program	64.024	04-157-CA	20,789	-
Total programs			<u>224,326</u>	<u>-</u>
Supporting Services for Veteran Families Program				
SSVF - Priority 2	64.033	12-CA-014	2,051,805	7,500 *
SSVF - Priority 1	64.033	C15-CA-600C	1,937,989	173,307 *
Pass-through programs from:				
Interfaith Community Services				
Supporting Services for Veteran Families Program	64.033	C15-CA-60B	163,523	-
Total programs			<u>4,153,317</u>	<u>180,807</u>
Total U.S. Department of Veterans Affairs			<u>4,377,643</u>	<u>180,807</u>
Federal Emergency Management Agency				
Pass-through programs from:				
United Way				
Emergency Food and Shelter Program	97.024	PHASE 33	118,774	-
Catholic Charities Diocese of San Diego				
Emergency Food and Shelter Program	97.024	PHASE 34	66,300	-
Total Federal Emergency Management Agency			<u>185,074</u>	<u>-</u>
U.S. Department of Health and Human Services				
Pass-through programs from:				
Family Health Centers of San Diego				
Affordable Care Act Grant for New and Expanded Services Under the Health Center Program	93.928	H97HA25090	2,991	-
Affordable Care Act Grant for New and Expanded Services Under the Health Center Program	93.928	6 H66 CS00461-14 SI RI	160,000	-
County of Santa Barbara, Public Health				
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	15,000	-
County of Santa Clara				
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	2610	229,096	-
Los Angeles Homeless Services Authority				
Temporary Assistance for Needy Families	93.558	2017DPSSF04	1,901,739	-
Clare Foundation, Inc.				
Substance Abuse & Mental Health Services Projects	93.243	1H79T1025759-01	16,873	-
Total U.S. Department of Health and Human Services			<u>2,325,699</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 14,103,497</u>	<u>\$ 180,807</u>

* Major program

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of PATH (People Assisting The Homeless) (the “Organization”) under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Organization has not elected to use the 10 percent de minimis indirect rate allowed under the Uniform Guidance.

NOTE 3 - LOANS OUTSTANDING

The Organization had the following loan balances outstanding at June 30, 2018:

Catalog of Federal Domestic Assistance (CFDA) Number	Federal Grantor/ Pass-Through Grantor/ Program Title	Amount
14.218	U.S. Department of Housing and Urban Development/ City of Los Angeles Housing and Community Investment Department/Community Development Block Grant	\$250,000

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

A. SUMMARY OF AUDIT RESULTS

Financial Statements

1. The independent auditors' report expresses an unmodified opinion on the financial statements of the Organization.
2. No material weaknesses related to internal control over financial reporting were identified.
3. No significant deficiencies not considered to be material weaknesses related to internal control over financial reporting were reported.
4. No instances of noncompliance material to the financial statements of the Organization were disclosed during the audit.

Federal Awards

5. The Independent Auditors' Report on Compliance for Each Major Federal Program for the Organization expresses an unmodified opinion.
6. No material weaknesses related to internal control over major program compliance were identified.
7. No significant deficiencies not considered to be material weaknesses related to internal control over major program compliance were reported.
8. There are no audit findings relative to the major federal programs for the Organization that are required to be reported in accordance with 2 CFR 200.516(a).
9. The program tested as a major program (including pass-through programs) are:

	<u>CFDA Number</u>
U.S. Department of Veterans Affairs/ Supporting Services for Veteran Families Program	64.033

10. The threshold for distinguishing Type A and B programs was \$750,000.
11. The Organization was considered to be a low-risk auditee for the year ended June 30, 2018.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
YEAR ENDED JUNE 30, 2018

B. FINANCIAL STATEMENT AUDIT FINDINGS

None noted.

C. MAJOR FEDERAL AWARD PROGRAMS AUDIT - FINDINGS AND QUESTIONED COSTS

None noted.

D. SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None noted.