



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, 2019
(With Comparative Totals for June 30, 2018)
with

INDEPENDENT AUDITORS' REPORT THEREON



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, 2019, 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, 2019, 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, 2018 financial statements, and we expressed an unmodified audit opinion on these audited financial statements in our report dated January 9, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 March 2, 2020 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

March 2, 2020

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

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018)

ASSETS	<u>2019</u>	<u>2018</u>
Current assets		
Cash and cash equivalents	\$ 6,266,023	\$ 5,386,853
Contracts and other receivable	15,032,841	10,183,346
Other receivables, related parties	1,302,445	77,061
Pledges receivable, current portion	243,750	425,000
Notes receivable, related party, current portion	12,811	16,442
Prepaid expenses and other assets	<u>478,164</u>	<u>312,743</u>
	23,336,034	16,401,445
Replacement reserve	3,373	3,373
Pledges receivable, net of current portion	506,250	575,000
Notes receivable, related party, net of current portion	246,955	259,766
Property and equipment, net	10,104,977	11,090,594
Beneficial interest in perpetual trust	<u>38,747</u>	<u>36,882</u>
	<u>\$ 34,236,336</u>	<u>\$ 28,367,060</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,540,958	\$ 1,951,270
Accrued payroll and related liabilities	2,464,423	1,966,312
Contract advances	7,957,750	4,222,643
Deferred rental income, current portion	7,351	7,351
Capital lease, current portion	4,699	27,075
Notes payable, current portion	<u>360,486</u>	<u>2,132,582</u>
	13,335,667	10,307,233
Deferred rental income, net of current portion	205,822	213,173
Capital lease, net of current portion	-	4,699
Notes payable, net	7,112,967	7,162,068
Interest payable	<u>658,246</u>	<u>605,521</u>
	<u>21,312,702</u>	<u>18,292,694</u>
Net assets		
Without donor restrictions	11,646,974	8,824,366
With donor restrictions	<u>1,276,660</u>	<u>1,250,000</u>
	<u>12,923,634</u>	<u>10,074,366</u>
	<u>\$ 34,236,336</u>	<u>\$ 28,367,060</u>

*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, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	<u>2019</u>			<u>2018</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
REVENUE AND SUPPORT				
Government contract income	\$ 31,146,536	\$ -	\$ 31,146,536	\$ 27,838,533
Fee for service contract income	22,316,559	-	22,316,559	10,774,182
Direct public support	2,865,059	825,000	3,690,059	4,773,532
Special events, net	1,610,529	-	1,610,529	1,365,374
In-kind revenue	2,894,435	-	2,894,435	2,354,010
Consulting fee income	-	-	-	340,000
Gain on sale of land, net	1,778,502	-	1,778,502	-
Other contracted revenue	989,852	-	989,852	447,599
Other income	120,291	-	120,291	96,046
Net assets released from restrictions	798,340	(798,340)	-	-
Total revenue and support	<u>64,520,103</u>	<u>26,660</u>	<u>64,546,763</u>	<u>47,989,276</u>
FUNCTIONAL EXPENSES				
Program services	52,164,850	-	52,164,850	38,442,981
Supporting services	7,999,013	-	7,999,013	6,280,639
Fundraising	942,914	-	942,914	859,009
Total expenses before depreciation and amortization	<u>61,106,777</u>	<u>-</u>	<u>61,106,777</u>	<u>45,582,629</u>
CHANGE IN NET ASSETS, before depreciation and amortization	<u>3,413,326</u>	<u>26,660</u>	<u>3,439,986</u>	<u>2,406,647</u>
Depreciation and amortization:				
Program services	260,151	-	260,151	285,883
Supporting services	330,567	-	330,567	329,875
Total depreciation and amortization	<u>590,718</u>	<u>-</u>	<u>590,718</u>	<u>615,758</u>
CHANGE IN NET ASSETS	2,822,608	26,660	2,849,268	1,790,889
NET ASSETS, beginning of year	<u>8,824,366</u>	<u>1,250,000</u>	<u>10,074,366</u>	<u>8,283,477</u>
NET ASSETS, end of year	<u>\$ 11,646,974</u>	<u>\$ 1,276,660</u>	<u>\$ 12,923,634</u>	<u>\$ 10,074,366</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, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019			Total	Comparative 2018 Total
	Program Services	Supporting Services	Fundraising		
PERSONNEL EXPENSES					
Salaries	\$ 21,359,278	\$ 3,915,423	\$ 482,928	\$ 25,757,629	\$18,690,579
Payroll taxes	2,616,266	571,186	40,576	3,228,028	1,528,878
Employee benefits	2,740,055	535,667	53,745	3,329,467	3,451,621
TOTAL PERSONNEL EXPENSES	<u>26,715,599</u>	<u>5,022,276</u>	<u>577,249</u>	<u>32,315,124</u>	<u>23,671,078</u>
OTHER EXPENSES					
Building maintenance	1,158,640	84,420	9,472	1,252,532	839,425
Community engagement	7,608	208,852	-	216,460	181,504
Direct client assistance	11,290,859	23,540	-	11,314,399	8,734,719
Equipment	972,700	158,296	-	1,130,996	239,374
Fundraising	-	-	319,299	319,299	200,994
Finance related fees	4,554	91,065	661	96,280	88,350
In-kind expenses	2,630,166	264,269	-	2,894,435	2,354,010
Insurance	137,847	113,934	1,821	253,602	248,805
Interest	184,153	309,422	-	493,575	501,323
Office expenses	339,077	140,867	9,702	489,646	355,659
Other expenses	189,206	104,419	426	294,051	190,209
Professional services	1,539,778	1,047,297	-	2,587,075	1,907,982
Program supplies, services, and transportation	1,077,284	93,499	-	1,170,783	767,861
Rent expense	573,613	129	-	573,742	223,424
Security	972,337	45,481	5,339	1,023,157	796,269
Staff training and recruitment	108,406	144,768	4,716	257,890	512,894
Sub-recipient grants	2,345,816	-	-	2,345,816	1,844,732
Telephone	691,650	45,291	2,954	739,895	818,251
Travel	632,994	89,398	10,612	733,004	447,587
Utilities	592,563	11,790	663	605,016	658,179
TOTAL OTHER EXPENSES	<u>25,449,251</u>	<u>2,976,737</u>	<u>365,665</u>	<u>28,791,653</u>	<u>21,911,551</u>
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	52,164,850	7,999,013	942,914	61,106,777	45,582,629
Depreciation and amortization	<u>260,151</u>	<u>330,567</u>	<u>-</u>	<u>590,718</u>	<u>615,758</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 52,425,001</u>	<u>\$ 8,329,580</u>	<u>\$ 942,914</u>	<u>\$ 61,697,495</u>	<u>\$ 46,198,387</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, 2019

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,849,268	\$ 1,790,889
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	590,718	615,758
Amortization of loan fees	14,596	30,638
Gain on sale of land	(1,778,502)	-
(Gain)/loss on beneficial interest in perpetual trust	(1,865)	(2,632)
Bad debt expense	43,455	-
Changes in operating assets and liabilities:		
Contracts receivable	(4,892,950)	(1,607,340)
Other receivables, related parties	(225,384)	-
Pledges receivable	250,000	(325,000)
Prepaid expenses and other assets	(165,421)	58,087
Accounts payable and accrued expenses	589,688	(89,517)
Accrued payroll and related liabilities	498,111	341,934
Contract advances	3,735,107	3,045,034
Deferred rental income	(7,351)	(7,333)
Interest payable	52,725	52,725
Net cash flows from operating activities	<u>1,552,195</u>	<u>3,903,243</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on notes receivable, related party	16,442	15,957
Purchases of property and equipment	(565,599)	(376,176)
Proceeds from maturity of certificate of deposit	-	1,005,619
Net cash flows from investing activities	<u>(549,157)</u>	<u>645,400</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of line of credit	-	(1,200,000)
Principal payments on capital leases	(27,075)	(25,250)
Borrowings on notes payable, net of interest reserve	150,400	465,237
Principal payments on notes payable	(247,193)	(237,226)
Net cash flows from financing activities	<u>(123,868)</u>	<u>(997,239)</u>
Net change in cash and cash equivalents	879,170	3,551,404
Cash and cash equivalents, beginning of year	<u>5,386,853</u>	<u>1,835,449</u>
Cash and cash equivalents, end of year	<u>\$ 6,266,023</u>	<u>\$ 5,386,853</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 478,981</u>	<u>\$ 417,961</u>
Noncash investing and financing activities:		
Note received as proceeds for sale of land and building	<u>\$ 1,000,000</u>	<u>\$ -</u>
Mortgage satisfied by buyer upon sale of land and building	<u>\$ 1,739,000</u>	<u>\$ -</u>

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, 2019

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 48% 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. In addition, the Organization received approximately 35% of its operating funds from fee for service contracts which are also from government agencies.

The Organization receives contributions in the form of restricted and unrestricted donations. The Organization received approximately 8% of its funding for operations from contributions made by private organizations and individuals, as well as special events.

Liquidity and Availability of Resources - The Organization’s financial assets available for unrestricted purposes are as follows:

Cash and equivalents	\$ 6,266,023
Contracts, pledges, and other receivables	<u>16,591,847</u>
Gross funds available within one year	22,857,870
Less: financial assets subject to donor restrictions	<u>(1,276,660)</u>
Financial assets available within one-year	21,581,210
Current liabilities	<u>(13,335,667)</u>
Financial assets available for unrestricted purposes	<u><u>\$ 8,245,543</u></u>

This allows for \$8,245,543 available assets for unrestricted purposes. This is above the Organization’s preliminary goal to maintain financial assets on hand to meet at least 45 days of normal operating expenses which, on average, totals approximately \$5,000,000 per month given full programmatic expenditures.

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.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions - Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as gifts to an Endowment, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restrictions expires, that is, when the stipulation of time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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 that 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, 2019, the Organization recognized donated in-kind food valued at \$2,590,243.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 ninety-days or less. The Organization maintains its cash balances in a financial institution, the balances of which may, at times, exceed federally insured limits.

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 and all uncollectible amounts were charged to bad debt expense during the year. Management believes that June 30, 2019 contracts receivable are fully collectible, 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 - Property and equipment are recorded at cost with the exception of donated assets which are recorded at their fair market value when received. Property and equipment are 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, 2019.

Investment in Limited Partnership - The investment in a partnership is accounted for under the equity method.

PATH (PEOPLE ASSISTING THE HOMELESS)
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

In accordance with the amended and restated partnership agreement, 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 its existing partnership investment at least annually.

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.

PATH (PEOPLE ASSISTING THE HOMELESS)
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Financing Costs - Deferred financing costs are amortized on a straight-line basis over the life of the respective loan and amortization expense, totaling \$14,596 for the year ended June 30, 2019, is included in interest expense. As of June 30, 2019, capitalized deferred financing costs are \$36,250, presented net of \$75,989 accumulated amortization, as an offset to the related notes payable.

Fee for Service Contract Income - The Organization serves as a vendor to help certain government agencies fulfill its housing grants from governmental entities. This income is recognized as fee for service income when services are performed by the Organization.

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, 2019, 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.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

During the year ended June 30, 2019, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions. As of June 30, 2019, all federal tax returns since the 2015 tax year and state tax returns since the 2014 tax year are still subject to adjustment upon audit. No tax returns are currently being examined by taxing authorities.

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 - Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between reporting periods presented. The reclassifications are due to the adoption of Accounting Standards Update 2016-14 (ASU-2016-14), a recent accounting pronouncement, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as "unrestricted" are now classified as "without donor restrictions". Net assets previously classified as "temporarily restricted" and "permanently restricted" are now classified as "with donor restrictions – temporary in nature" and "with donor restrictions – permanent in nature," respectively. As a result of the adoption of "ASU 2016-14" and its specific guidance related to donor restricted contributions for building acquisitions, the Organization reclassified \$1,119,770 of land and building at the 340 N. Madison Property to net assets without donor restrictions effective June 30, 2018.

Subsequent Events - Subsequent events have been evaluated by the Organization through February 26, 2020, 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.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2019 consists of:

Building and improvements	\$ 13,611,482
Furniture and equipment	1,996,166
Transportation equipment	<u>128,687</u>
	15,736,335
Less: accumulated depreciation and amortization	(8,508,881)
Construction in process	389,562
Land	<u>2,487,961</u>
	<u>\$ 10,104,977</u>

During fiscal 2019, the Organization sold its Fernwood building and the accompanying land for a gain of \$1,778,502 to Path Ventures, a related party, is summarized as follows:

Settlement of the Fernwood mortgage by Path Ventures	\$ 1,739,000
Receivable from Path Ventures	1,000,000
Less: Sale of building and land, net of carrying value	<u>(960,498)</u>
Gain on sale	<u>\$ 1,778,502</u>

The receivable from Path Ventures is scheduled to be collected in fiscal 2020.

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.

PATH (PEOPLE ASSISTING THE HOMELESS)
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - INVESTMENT IN LIMITED PARTNERSHIP, continued

The financial position of Gramercy Court is summarized below, as of December 31, 2018, its most recent audited financial statements:

Cash	\$ 143,715
Property and equipment, net	<u>1,192,628</u>
Total assets	<u>\$ 1,336,343</u>
Current and other liabilities	\$ 63,705
Notes payable - forgivable	904,553
Accrued interest payable - forgivable	517,422
Partners' deficit	<u>(149,337)</u>
Total liabilities and partners' deficit	<u>\$ 1,336,343</u>

As a limited partner, the Organization has not committed to provide further financial support to, or guaranteed obligations of, Gramercy Court.

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.

On December 27, 2019 the building owned by Gramercy Court with a cost basis of approximately \$1,150,000 net of accumulated depreciation was sold to a partnership, of which Path Ventures is a partner, in exchange for a 55 year note receivable for \$1,333,782.

NOTE 5 - NOTES PAYABLE

Notes payable at June 30, 2019 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%.	\$ 272,260
\$742 at 5%.	39,343
\$742 at 5%.	39,373
\$835 at 5%.	44,252
\$408 at 5%.	21,605
\$1,421 at 5%.	75,315

PATH (PEOPLE ASSISTING THE HOMELESS)
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - NOTES PAYABLE, continued

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 \$37,987 remains, and is netted against the gross loan amount. 2,662,022

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. 24,763

Note payable for \$30,000 bearing interest at 4.5% annually, requiring no monthly payments, and matured June 2019, and paid off in full on August 22, 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%. 2,261,000

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, 2019 is \$488,640, which is included in interest payable. This note is subordinate to the Primary Madison Note. 909,450

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 2021. Principal and interest payments are due annually out of residual receipts of the affordable housing project. Unpaid interest on this note at June 30, 2019 is \$169,606, which is included in interest payable. 848,017

PATH (PEOPLE ASSISTING THE HOMELESS)
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - NOTES PAYABLE, continued

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, 2019.	250,000
Total notes payable as of June 30, 2019	7,477,400
Less: current portion	(360,486)
Less: deferred financing cost, net	(36,250)
	\$ 7,080,664

Related Party - At June 30, 2019, the Organization had a \$32,303 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.

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

	Related party	Other	Total
2020	\$ 18,000	\$ 360,486	\$ 378,486
2021	14,303	2,887,175	2,901,478
2022	-	1,238,811	1,238,811
2023	-	406,261	406,261
2024	-	370,992	370,992
Thereafter	-	2,213,675	2,213,675
	\$ 32,303	\$ 7,477,400	\$ 7,509,703

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, 2019.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - NOTES PAYABLE, continued

Subsequent to June 30, 2019, the Organization accrued a 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%. The note is available for \$1,945,468 of building improvement borrowings. Once the construction is completed, the note will earn forgiveness at 1/40th of the balance each six months provided that the Organization continues to be in compliance with loan covenants. The Organization was in compliance with such covenants at March 2, 2020.

NOTE 6 - DEFERRED RENTAL INCOME

The Organization subleases certain space at the Madison Property for 30 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 7 - SPECIAL EVENTS

The Organization held several special events during the year ended June 30, 2019. Revenues and expenses from the events were as follows:

	<u>Revenues</u>	<u>Expenses</u>	<u>Net</u>
Imaginary Feast	\$ 1,003,371	\$ 42,918	\$ 960,453
Making it Home	<u>664,867</u>	<u>14,791</u>	<u>650,076</u>
	<u>\$ 1,668,238</u>	<u>\$ 57,709</u>	<u>\$ 1,610,529</u>

NOTE 8 - DONOR RESTRICTED NET ASSETS

As a result of the Beyond Shelter acquisition in fiscal year 2016, the Organization has a donor 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.

PATH (PEOPLE ASSISTING THE HOMELESS)
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 - DONOR RESTRICTED NET ASSETS, continued

Donor restricted net assets as of June 30, 2019 are available for the following purposes:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2019</u>
Restriction as noted above from				
Beyond Shelter net asset acquisition	\$ 250,000	\$ -	\$ -	\$ 250,000
Santa Barbara grant	550,000	-	-	550,000
PATH Mall improvements	-	650,000	(256,673)	393,327
Veterans employment program	-	100,000	(66,667)	33,333
Program director	-	25,000	(25,000)	-
Santa Barbara women's program	-	50,000	-	50,000
Healthcare and other patient care services	300,000	-	(300,000)	-
Housing focused homeless services	150,000	-	(150,000)	-
	<u>\$ 1,250,000</u>	<u>\$ 825,000</u>	<u>\$ (798,340)</u>	<u>\$ 1,276,660</u>

NOTE 9 - 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, 2019 was \$537,484.

NOTE 10 - RELATED PARTY TRANSACTIONS

Note Receivable from Former Affiliate - As of June 30, 2019, 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 \$259,766, 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 (PEOPLE ASSISTING THE HOMELESS)
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - RELATED PARTY TRANSACTIONS, continued

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

Accounts receivable from related parties of \$1,302,445 are included in other receivables.

Accounts receivable and notes receivable balances due from related parties consist of the following as of June 30, 2019:

	Other receivables, related parties	Notes receivable	Total
Deep Green	\$ -	\$ 259,766	\$ 259,766
Gramercy Court	98,552	-	98,552
Path Partners	9,305	-	9,305
Path Ventures	1,184,509	-	1,184,509
Other	10,079	-	10,079
	\$ 1,302,445	\$ 259,766	\$ 1,562,211

Gramercy Court Lease - During the year ended June 30, 2019, 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 \$77,789. These expenses are included in other expenses for the year ended June 30, 2019.

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 \$26,800 for the year ending June 30, 2019, 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, 2019, 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 \$264,269, which is included in in-kind revenue and in-kind expense.

PATH (PEOPLE ASSISTING THE HOMELESS)
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - 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.

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.

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.

Capital Leases - The Organization leases equipment under a capital lease that expires in August 2019. The lease agreement calls for monthly payments of \$2,370 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, 2019

NOTE 11 - COMMITMENTS AND CONTINGENCIES, continued

Included in property and equipment at June 30, 2019 are the following assets held under capital leases:

Equipment	\$ 119,704
Less: accumulated depreciation	<u>(119,704)</u>
	<u><u>\$ -</u></u>

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

2020	<u>\$ 4,741</u>
	4,741
Less: amount representing interest	(42)
Less: current portion	<u>(4,699)</u>
	<u><u>\$ -</u></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, 2019, 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 March 2, 2020.

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
March 2, 2020



**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, 2019. 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, 2019.

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, 2019, and have issued our report thereon dated March 2, 2020, 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
March 2, 2020

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance		Federal Awards	
	(CFDA) Number	Contract Grant Number	Expenditures	Sub-recipients
U.S. Department of Housing and Urban Development				
Direct programs:				
Continuum of Care Program	14.267	CA0469L9D001609	\$ 29,817	\$ - *
Continuum of Care Program	14.267	CA1115L9D011605	675,854	- *
Total programs			<u>705,671</u>	<u>-</u>
Pass-through programs from:				
City of Long Beach				
Continuum of Care Program	14.267	CA0650U9D061710	315,890	- *
San Diego Housing Commission				
Continuum of Care Program	14.267	HHI-18-27A	113,120	- *
Continuum of Care Program	14.267	HHI-17-11K	404,007	- *
SDHC	14.267	CoC: CA-601; CA-17-061 52531	168,249	- *
Community Development Block Grant	14.218	HHI-17-06.1	276,000	-
Emergency Solutions Grant Program	14.231	HHI-17-03b	239,027	*
Moving to Work Demonstration Program	14.881	SBS3-HAP	265,497	-
Los Angeles Homeless Services Authority				
Continuum of Care Program	14.267	CA0425L9D001609/ 2018CNGI	7,579	- *
Continuum of Care Program	14.267	CA0467L9D001609	14,935	- *
Community Development Block Grant	14.231	2017CESF04	70,080	- *
Emergency Solutions Grant Program	14.231	2017CESSAY34	122,095	85,079 *
Emergency Solutions Grant Program	14.231	2017CESSAY08	163,409	- *
Housing Authority of the County of Los Angeles				
Continuum of Care Program	14.267	CA1343L9D001703	9,643	- *
City of San Jose				
Emergency Solutions Grant Program	14.231	ESG-18-001	643,328	- *
County of Santa Barbara, Housing and Community Development Commission				
Community Development Block Grant	14.218	Agreement	17,500	-
County of Santa Barbara, Community Services				
Community Development Block Grant	14.218	CN21451	22,500	
Emergency Solutions Grant Program	14.231	BC-19018	130,218	- *
Total programs			<u>2,983,077</u>	<u>85,079</u>
Total U.S. Department of Housing and Urban Development			<u>3,688,748</u>	<u>85,079</u>
U.S. Department of Labor				
Direct programs:				
Homeless Veterans Reintegration Project	17.805	HV-30691-17-60-5-6	300,000	-
Total U.S. Department of Labor			<u>300,000</u>	<u>-</u>
U.S. Department of Health and Human Services				
Pass-through programs from:				
County of Santa Barbara, Public Health				
Healthcare for the Homeless	93.224	BC-17124	15,000	-
Total U.S. Department of Health and Human Services			<u>15,000</u>	<u>-</u>

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
YEAR ENDED JUNE 30, 2019

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 Veterans Affairs				
Direct programs:				
Grants and Per Diem Program	64.024	PATH196-0430-691-LD-18-0	228,492	-
Total programs			228,492	-
Supporting Services for Veteran Families Program				
SSVF - Priority 2	64.033	19-CA-014	4,350,488	52,500
SSVF - Priority 1	64.033	C15-CA-600C	533,033	7,500
Pass-through programs from:				
VA Veterans Administration	64.009	VA262-15-D-0064	1,164,810	-
Total programs			6,048,331	60,000
Total U.S. Department of Veterans Affairs			<u>6,276,823</u>	<u>60,000</u>
Federal Emergency Management Agency				
Pass-through programs from:				
United Way				
Emergency Food and Shelter Program	97.024	PHASE 35	167,866	-
Catholic Charities Diocese of San Diego				
Emergency Food and Shelter Program	97.024	PHASE 34	48,689	-
Total Federal Emergency Management Agency			<u>216,555</u>	-
U.S. Department of Health and Human Services				
Pass-through programs from:				
SAMHSA				
	93.243	1H79SM063356-01	56,888	-
Los Angeles Homeless Services Authority				
Temporary Assistance for Needy Families	93.558	2017DPSSF04	1,398,269	-
Total U.S. Department of Health and Human Services			<u>1,455,157</u>	-
U.S. Department of Justice				
Pass-through programs from:				
US Office on Violence Against Women				
Family Crisis Center	16.736	1736 Family Crisis Center	6,808	-
Total U.S. Department of Health and Human Services			<u>6,808</u>	-
Total expenditures of federal awards			<u>\$ 11,959,091</u>	<u>\$ 145,079</u>

* Major program

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

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, 2019. 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, 2019:

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, CONTINUED
YEAR ENDED JUNE 30, 2019

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 Housing and Urban Development/ Continuum of Care Program	14.267
Emergency Solutions Grant Program	14.231
U.S. Department of Veteran Affairs/ VA Veterans Medical Care	64.009
U.S. Department of Health and Human Services/ Temporary Assistance for Needy Families	93.558

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
YEAR ENDED JUNE 30, 2019

- 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, 2019.

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.