



# Casa Esperanza Homeless Center

*Offering hope and help every day*

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Joseph Tumbler

March 11, 2015

Ms. Sue Gray  
Community Development Business Manager  
City of Santa Barbara  
P.O. Box 1990  
Santa Barbara, CA 93102-1990

Re: City approvals required for Casa Esperanza's proposed merger into PATH (People Assisting the Homeless)

Dear Ms. Gray:

Casa Esperanza and PATH (People Assisting the Homeless) have agreed, in principle, to undertake a statutory merger, in which Casa Esperanza will be merged into PATH, and PATH will assume all of Casa's assets, liabilities, fulfillment of contracts and assumption of operations, subject to:

- Approval (or non-action) of the California Attorney General
- Agreement of the City and the County of Santa Barbara for the assignment of Casa Esperanza's contracts
- Approval of PATH as owner and operator of the 816 Cacique Street building, with PATH agreeing to perform under deed restrictions dated August 17, 1999
- Renewal of the current year's discretionary City and County funding into 2015-16 to help balance Casa's budget

## **PATH**

By way of background, PATH is a 501-c-3 whose mission is to provide shelter, housing and related services to the homeless, with a goal of ending homelessness for individuals, families, and communities. PATH has been working towards this mission since 1984 and now provides housing and supportive services in 22 locations from San Diego to San Luis Obispo. Since 2013, PATH has helped more than 4,000 chronically homeless individuals, veterans, and families to move into permanent housing ([www.eopath.org](http://www.eopath.org)).

PATH's audited 2013-14 financial statements, By-Laws, and Articles of Incorporation are enclosed for your review.



# Casa Esperanza Homeless Center

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PATH operates three main program types to address the homelessness issue from different angles:

## 1. Housing

- PATH provides both interim (400 beds of emergency and transitional shelter) and permanent housing (over 1500 units of scattered-site and project-based permanent supportive housing as well as rapid re-housing programs) throughout Southern California.

## 2. Supportive Services

- PATH provides a comprehensive system of housing-focused supportive services, including strategic street outreach, intensive case management, system navigation, employment assistance, housing location and placement, as well as housing retention.

## 3. Community Engagement

- PATH sees homelessness as a community issue and partners with communities throughout Southern California to create and implement customized strategies to reduce homelessness.

PATH has significant experience successfully performing under Federal, City, County and State grant programs, and has deep skills in all areas of homeless service provision. These significant resources and expertise will serve to support and enhance Casa Esperanza's programs and capabilities to better serve the Santa Barbara community.

### **The Proposed Merger**

The merger of the two organizations will augment Casa Esperanza's current activities. A partial list of services Casa provides includes:

- Interim housing and case management focused on housing, employment, and health care
- Food, clothing, personal hygiene assistance and 18 weekly training workshops
- Job skills development and job placement assistance
- Dependency counseling and drug and alcohol addiction support services
- Medical respite beds for the medically fragile who are unable to care for themselves
- Access to a wide array of support services provided by government and private agencies through screening and referrals
- Support for individuals with mental health issues



# Casa Esperanza Homeless Center

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- Operation of the County's only emergency winter shelter serving 100 additional clients for four months out of the year

The merged operation is yet to be named, but will likely build upon PATH's branding in the homeless services sector.

PATH in Santa Barbara will provide the same services and programs now offered by Casa Esperanza, but with greater technical depth and expertise. No reductions in staffing or changes in basic programs are contemplated as part of the merger.

While PATH will support Casa's grant writing and development activities, it expects Casa to remain self-funding. PATH has, in turn, agreed that all public and private money raised from Santa Barbara sources will be used for Santa Barbara programs.

PATH will provide a wide variety of technical support to Casa in all areas of operations, including program design and management, operations, case management, fundraising and development, personnel, and IT. This will strengthen Casa's existing capability and allow Casa to better fulfill its mission and serve its clients and the community. PATH has already provided assistance in fundraising advice and support, personnel policies and practices, program review, and grant writing.

The merger will have a significant benefit to Casa Esperanza and the Santa Barbara community. Casa will obtain greater technical expertise than it would otherwise be able to develop on its own. PATH will establish a stronger physical presence in Santa Barbara from which they can administer Casa's programs in addition to programs they now offer here (a HUD VASH program, for example). PATH currently administers dozens of governmental contracts and is familiar with, and skilled at, implementing the programmatic and financial requirements that go along with them.

As part of the merger, three current or former members of Casa's Board will join the PATH Board, and PATH will form an Advisory Board consisting of the rest of Casa's Board members as well as other community members to assure strong local input on its programs and to advise PATH on local fundraising matters.

As part of PATH's due diligence, they need assurances that:

- City contracts currently in place with Casa Esperanza will be assigned to PATH
- City approval of PATH as owner of the shelter building at 816 Cacique Street and approval of PATH as the homeless services operator (retaining the current deed restrictions) will be forthcoming



# Casa Esperanza Homeless Center

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## **Casa Esperanza's Operational and Fiscal Outlook:**

As you know, Casa has made significant strides in improving its financial situation. FYTD through January 31, 2015, we reported operating revenues in excess of expenses in the amount of \$1,137,902 which was \$64,000 ahead of budget. This includes \$1 million of mortgage debt forgiveness by the City and County – in accordance with original contract terms.

Casa has reduced its long-term debt by \$2,194,000 over the past 7 months; we have refinanced our mortgage at 4.5% from 7%; we have become a good neighbor by almost any measure of community satisfaction; and importantly, we have recruited an experienced Managing Director that will assume Joe Tumbler's role when the merger concludes.

Prior to merger discussions with PATH, Casa had a two-pronged strategy to further strengthen its financial position: to approach foundations not currently funding us and obtaining their support; and negotiating for more adequate cost reimbursement from organizations for which we provide services.

To that end, this fiscal year, we have regained funding support from foundations that previously declined to fund us, including the Crawford-Idema Foundation, the Outhwaite Foundation and the Wood-Claeyssens Foundation, and others.

We have also begun negotiations with the City and County to more adequately reimburse us for our actual costs of providing services. At the suggestion of County staff, we also submitted to the County of Santa Barbara's Human Services Commission, grant requests to support the costs of our Community Kitchen and our Winter Shelter - both essential services to the homeless population we serve. These grants were not funded because of insufficient funding through this agency. We still have a number of grants for which our reimbursements are far below our cost of service delivery, including Probation, ADMHS, and Department of Social Services. Negotiations to improve reimbursement levels are currently underway. We have included a total of \$180,000 of such cost reimbursement increases in our budget.

We have successfully renegotiated our medical respite bed reimbursement levels with Cottage Hospital to fully pay for our actual 2014-15 bed night costs. This revenue enhancement will be offset by reduction from other funders including the Santa Barbara and Hutton Foundations, whose support for basic operations is not available in straight, consecutive years.

Our costs have increased from our 2014-15 budget in several important areas:

- We will have a Managing Director for a full year (an essential cost for Casa to remain viable without a pro bono Interim Executive Director)



# Casa Esperanza Homeless Center

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- Necessary Security and Winter shelter staffing were aggressively reduced during our budget cutbacks and the current budget returns them to necessary staffing levels
- Certified Nursing staffing now reflects levels required by our new agreement with Cottage Hospital
- An employment navigator, funded by a recently awarded County grant, is included in the budget
- Workers' compensation costs have increased 1.8%, the result of prior experience, and not the current year's favorable experience

Our budget for 2015-16 is essentially "break-even" and includes the maintenance of \$125,000 of City discretionary funding (and \$120,000 of County discretionary funding). We expect that our merger with PATH will bring access to more funding sources in the future.

This budget for fiscal 2015-16, the lists of contracts requiring assignment and the deed restrictions on the 816 Cacique Street building are attached for your review.

Casa and PATH welcome the opportunity to address any questions or concerns you may have and are prepared to meet with you at your convenience to discuss this matter. We also will offer to meet with City Council members that have an interest in discussing our plans further.

We would welcome knowing your thoughts on the timeline for obtaining the requisite approvals so we can undertake merger planning in an appropriate timeline.

Sincerely,

Joe Tumbler  
Interim Executive Director  
Casa Esperanza Homeless Center

Joel John Roberts  
Chief Executive Officer  
PATH

Jessica Wishan  
Managing Director  
Casa Esperanza Homeless Center



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

**AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION REQUIRED BY  
OMB CIRCULAR A-133**

**For The Year Ended June 30, 2014  
(With Comparative Totals For the Year Ended June 30, 2013)  
*with***

**INDEPENDENT AUDITORS' REPORT THEREON**

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

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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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules appearing on pages 22 to 26 are presented for purposes of additional analysis and are not a required part of financial statements. Also, the accompanying Schedule of Expenditures of Federal Awards appearing on pages 32 to 33 are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 subject 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 schedule 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, 2013 financial statements, and we expressed an unmodified audit opinion on these audited financial statements in our report dated February 27, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 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 30, 2015 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 30, 2015

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

**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30,**

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,061,395	\$ 715,725
Contracts receivable	2,422,007	2,034,245
Other receivables	3,156	1,429
Other receivables, related party	64,203	750
Notes receivable, related parties	220,059	181,111
Prepaid expenses and other assets	107,706	63,492
	3,878,526	2,996,752
Replacement reserve	1,000	16,878
Property and equipment, net	7,123,919	7,360,603
Beneficial interest in perpetual trust	31,963	27,770
Deposits and other assets	5,966	7,173
	\$ 11,041,374	\$ 10,409,176
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 569,318	\$ 545,677
Accounts payable, related parties	30,262	42,596
Accrued payroll and related liabilities	898,706	597,931
Contract advances	426,374	205,927
Notes payable, related party	150,000	152,249
Current portion of deferred rental income	7,333	7,333
Current portion of capital lease	15,758	-
Current portion of notes payable	433,848	485,124
Forgivable notes payable	500,000	500,000
	3,031,599	2,536,837
Notes payable, net of current portion	3,779,395	3,911,997
Interest payable	552,121	484,396
Line of credit	-	250,000
Deferred rental income, net of current portion	22,001	29,334
Capital lease, net of current portion	78,792	-
	7,463,908	7,212,564
Net assets		
Unrestricted	1,447,811	887,564
Temporarily restricted	2,129,655	2,309,048
	3,577,466	3,196,612
	\$ 11,041,374	\$ 10,409,176

*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,**

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUE AND SUPPORT</b>				
Contract income - government agencies	\$ 10,971,394	\$ -	\$ 10,971,394	\$ 6,409,114
Direct support - public	3,067,436	200,000	3,267,436	2,960,548
Net gain on sale of property	-	-	-	356,498
Special events, net	890,986	-	890,986	288,585
Rental income	63,717	-	63,717	53,374
Service fees	536,450	-	536,450	84,868
Management fee income, related party	-	-	-	45,000
In-kind revenue	4,500	-	4,500	3,000
Other income	4,478	-	4,478	4,019
Net assets released from restrictions	379,393	(379,393)	-	-
Total revenue and support	<u>15,918,354</u>	<u>(179,393)</u>	<u>15,738,961</u>	<u>10,205,006</u>
<b>FUNCTIONAL EXPENSES</b>				
Program services:				
PATH Cares (PATHWays) - RHC	1,149,877	-	1,149,877	1,079,113
Access Center	279,445	-	279,445	336,322
Outreach	401,698	-	401,698	295,697
PATHWays and PATHFinders - West LA	436,485	-	436,485	507,042
Homeless Prevention and Rapid Re-Housing	-	-	-	326,971
Veterans Support Program	5,625,015	-	5,625,015	1,447,514
PATH San Diego	2,322,053	-	2,322,053	1,394,376
Other programs	2,557,066	-	2,557,066	3,212,402
Total program services	<u>12,771,639</u>	<u>-</u>	<u>12,771,639</u>	<u>8,599,437</u>
Supporting services	1,647,208	-	1,647,208	888,364
Fundraising and development	553,391	-	553,391	285,955
Total expenses before depreciation and amortization	<u>14,972,238</u>	<u>-</u>	<u>14,972,238</u>	<u>9,773,756</u>
<b>CHANGE IN NET ASSETS</b> , before depreciation and amortization	<u>946,116</u>	<u>(179,393)</u>	<u>766,723</u>	<u>431,250</u>
Depreciation and amortization:				
Program services	346,527	-	346,527	349,494
Supporting services	39,342	-	39,342	11,255
Total depreciation and amortization	<u>385,869</u>	<u>-</u>	<u>385,869</u>	<u>360,749</u>
<b>CHANGE IN NET ASSETS</b>	560,247	(179,393)	380,854	70,501
<b>NET ASSETS, beginning of year</b>	<u>887,564</u>	<u>2,309,048</u>	<u>3,196,612</u>	<u>3,126,111</u>
<b>NET ASSETS, end of year</b>	<u>\$ 1,447,811</u>	<u>\$ 2,129,655</u>	<u>\$ 3,577,466</u>	<u>\$ 3,196,612</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,

	2014										Summarized 2013 Total								
	Program Services																		
	PATH Cares		Access Center		Outreach		PATH San Diego		Other Programs		Total Programs		Supporting Services		Fundraising and Development		Total		
<b>PERSONNEL EXPENSES</b>																			
Salaries	\$ 589,194	\$ 176,758	\$ 163,413	\$ 235,859	\$ 2,501,564	\$ 729,859	\$ 65,702	\$ 3,969	\$ 1,229,505	\$ 5,626,152	\$ 1,021,974	\$ 292,504	\$ 4,210,361	\$ 6,940,630	\$ 425,487	\$ 576,138	\$ 699,865	\$ 5,335,713	\$ 4,210,361
Payroll taxes	48,909	14,673	13,565	19,578	207,654	60,585	273	1,131	102,059	467,023	84,834	24,281	425,487	576,138					425,487
Employee benefits	97,664	29,299	27,087	39,095	414,655	120,980		500	203,803	932,583	169,400	48,485	699,865	1,150,468					699,865
<b>TOTAL PERSONNEL EXPENSES</b>	<b>735,767</b>	<b>220,730</b>	<b>204,065</b>	<b>294,532</b>	<b>3,123,873</b>	<b>911,424</b>	<b>3,123,873</b>	<b>911,424</b>	<b>1,535,367</b>	<b>7,025,758</b>	<b>1,276,208</b>	<b>365,270</b>	<b>5,335,713</b>	<b>8,667,236</b>					<b>5,335,713</b>
<b>OTHER EXPENSES</b>																			
Automobile	4,697	-	6,064	1,379	65,702	3,969	6,196	88,007	15,000	42,284	93	78	15,000	88,178					15,000
Bank charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-					48,150
Building maintenance	102,595	15,538	38,264	23,859	145,461	117,403	273	1,131	136,248	579,368	33,910	9,470	33,910	93,753					41,630
Direct client assistance	25,452	2,567	12,586	136	720,445	32,826	136	32,826	448,994	1,243,006	903	3,146	607,911	622,748					355,907
Insurance	22,967	16,560	14,860	11,084	16,503	500	16,503	42,183	42,183	124,657	4,845	-	88,681	1,247,055					607,911
In-kind expense	-	-	-	-	-	-	-	-	-	-	-	-	-	129,502					88,681
Interest	25,582	3,107	9,914	36,791	39,983	-	39,983	21,947	21,947	137,324	23,952	-	3,000	161,276					210,977
Interest on forgivable and residual receipts notes payable	27,284	-	-	-	-	-	-	-	15,000	42,284	-	-	-	42,284					15,000
Management fee, related party	-	-	-	-	-	-	-	-	-	-	-	-	-	-					48,150
Miscellaneous expenses	1,911	6	259	6	4,359	-	4,359	14,747	14,747	21,288	6,595	5,147	21,288	33,030					21,298
Office	7,271	3,153	3,545	3,417	38,822	15,861	38,822	13,516	13,516	85,585	14,505	9,782	133,916	109,872					133,916
Printing and artwork	1,385	27	1,085	345	1,826	1,006	1,826	746	746	6,420	489	10,853	17,762	17,762					13,555
Professional services	4,098	3,610	2,820	1,606	1,022,427	3,060	1,022,427	30,376	30,376	1,067,997	60,982	94,133	463,727	1,223,112					463,727
Property taxes and other fees	2,869	-	-	539	-	-	-	987	987	4,395	346	-	7,534	4,741					7,534
Rent, related party	-	-	-	-	-	-	-	-	-	-	-	-	-	-					-
Residential food and supplies	49,851	2,301	19,757	18,603	17,849	37,466	17,849	35,384	35,384	181,211	2,639	65	183,915	183,915					337,280
Security	66,756	3,731	58,714	18,873	61,327	236,447	61,327	102,661	102,661	548,509	8,254	-	185,252	556,763					185,252
Staff training and recruitment	11,531	1,620	4,157	1,860	47,300	6,657	47,300	10,182	10,182	83,307	65,347	8,817	157,471	157,471					343,785
Sub-recipient grants	-	-	-	-	-	633,763	-	71,951	71,951	705,714	-	-	705,714	705,714					65,075
Telephone	16,208	1,193	6,327	4,972	65,570	19,192	65,570	13,957	13,957	127,419	13,035	5,650	662,651	705,714					662,651
Travel	3,967	70	3,539	729	120,543	60,088	729	7,673	7,673	196,609	8,995	2,540	92,344	146,084					92,344
Utilities	39,686	5,252	15,742	17,754	132,752	241,260	132,752	48,951	48,951	501,377	67,636	85	554,508	569,098					554,508
<b>TOTAL OTHER EXPENSES</b>	<b>414,110</b>	<b>58,715</b>	<b>197,633</b>	<b>141,953</b>	<b>2,501,142</b>	<b>1,410,629</b>	<b>2,501,142</b>	<b>1,021,699</b>	<b>5,745,881</b>	<b>371,000</b>	<b>188,121</b>	<b>6,305,002</b>	<b>4,438,043</b>	<b>6,305,002</b>					<b>4,438,043</b>
<b>TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>1,149,877</b>	<b>279,445</b>	<b>401,698</b>	<b>436,485</b>	<b>5,625,015</b>	<b>2,322,053</b>	<b>5,625,015</b>	<b>2,557,066</b>	<b>12,771,639</b>	<b>1,647,208</b>	<b>553,391</b>	<b>14,972,238</b>	<b>9,773,756</b>	<b>14,972,238</b>					<b>9,773,756</b>
Depreciation and amortization	121,976	78,287	10,909	42,681	-	-	-	92,674	346,527	39,342	-	385,869	360,749	385,869					360,749
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,271,853</b>	<b>\$ 357,732</b>	<b>\$ 412,607</b>	<b>\$ 479,166</b>	<b>\$ 5,625,015</b>	<b>\$ 2,322,053</b>	<b>\$ 5,625,015</b>	<b>\$ 2,649,740</b>	<b>\$ 13,118,166</b>	<b>\$ 1,686,550</b>	<b>\$ 553,391</b>	<b>\$ 15,358,107</b>	<b>\$ 10,134,505</b>	<b>\$ 15,358,107</b>					<b>\$ 10,134,505</b>

*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,**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 380,854	\$ 70,501
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	385,869	360,749
Gain on sale of assets	-	(356,498)
Gain on beneficial interest in perpetual trust	(4,193)	(3,213)
Changes in operating assets and liabilities:		
Contracts receivable	(387,762)	(853,047)
Other receivables	(65,180)	63,657
Prepaid expenses and other assets	(44,214)	(25,031)
Accounts payable and accrued interest	23,641	294,001
Accounts payable, related parties	(12,334)	(19,296)
Accrued payroll and related liabilities	300,776	355,982
Interest payable	67,725	(270,200)
Contract advances	220,447	(103,344)
Deferred rental income	(7,333)	(7,336)
Net cash flows from operating activities	<u>858,296</u>	<u>(493,075)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in notes receivable, related party	(73,948)	(216,111)
Payments received on notes receivable, related party	35,000	75,000
Proceeds on sale of land and building	-	546,596
Purchase of property and equipment	(42,924)	(149,662)
Change in replacement reserve	15,878	(16,000)
Net cash flows from investing activities	<u>(65,994)</u>	<u>239,823</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings from notes payable	-	320,000
Principal (paydown on)/borrowing from notes payable, related party	(2,249)	152,249
Net borrowings on line of credit	-	250,000
Payments on notes payable	(444,383)	(61,976)
Net cash flows from financing activities	<u>(446,632)</u>	<u>660,273</u>
Net change in cash and cash equivalents	345,670	407,021
Cash and cash equivalents, beginning of year	<u>715,725</u>	<u>308,704</u>
Cash and cash equivalents, end of year	<u>\$ 1,061,395</u>	<u>\$ 715,725</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 177,361</u>	<u>\$ 177,449</u>
Non cash financing transactions:		
Paydown of note payable with line of credit borrowing	<u>\$ -</u>	<u>\$ (121,867)</u>
Loan modification and combination (See Note 6)	<u>\$ 250,000</u>	<u>\$ 364,706</u>
Purchase of property and equipment under capital lease	<u>\$ 94,550</u>	<u>\$ -</u>

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

**PATH (PEOPLE ASSISTING THE HOMELESS)**  
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**NOTE 1 - ORGANIZATION**

PATH (People Assisting the Homeless) (the "Organization") is a publically-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's sole member is PATH Partners. PATH Partners is an innovator of housing development and social services, and helps communities flourish through non-profit organizational management, community mobilization and regional planning. All transactions involving PATH Partners and its members are summarized in Note 12.

The Organization receives funding from government and corporate grants and private donations.

The Organization receives approximately 70% of its operating funds from government agencies. This funding is recognized as support when grant-purpose services are performed by the Organization. Government funding is provided by various ongoing contracts with the United States Department of Housing and Urban Development, Labor, Health and Human Services, Veterans' Affairs, and Federal Emergency Management Agency. Government funding is also provided by the County and City of Los Angeles, including Los Angeles Homeless Services Authority, as well as the City of West Hollywood.

The Organization receives private support in the form of restricted and unrestricted donations. The Organization received approximately 27% of its funding for operations from contributions made by private organizations and individuals, as well as special events. These contributions are recognized as support when received. Also, the Organization receives approximately 3% of its funding for operations from rental income and service fee revenue.

**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.

**PATH (PEOPLE ASSISTING THE HOMELESS)**  
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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

*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. The Organization had no permanently restricted net assets as of June 30, 2014.

Revenues are reported as increases in unrestricted net assets unless use of the related assets 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.

**Contributions** - Contributions are recognized at fair value when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

**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)**  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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**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, 2014, and as such, no allowance for uncollectible accounts has been recorded.

**Property and Equipment** - The Organization capitalizes all property and equipment equal to and in excess of \$5,000. Donated assets are recorded at their fair market value when received. Purchased assets are carried at cost. Repair and maintenance costs are expensed as incurred. The cost of purchased assets or fair market value of donated assets is depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	30 years
Improvements	7 to 15 years
Automobiles	5 years
Furniture and equipment	5 years
Software	5 years

When equipment is 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 operations. Expenditures which materially increase the value or extend the useful lives of the assets are capitalized.

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, 2014.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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**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.

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

**Sub-recipient Grants** - The Organization receives pass-through grants for the Alpha Project for the Homeless Program from the Department of Housing and Urban Development and the Mental Health Services Act Grant from the California Department of Mental Health, which it administers to sub-recipients. The Alpha Project for the Homeless ("Alpha Project") is a San Diego non-profit Organization who serves as a subcontractor of the Organization. These grants totaled \$705,714 for the year ended June 30, 2014. 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 and development* - Expenses include costs that primarily relate to fundraising activities to obtain grants and generate revenue through contributions.

**PATH (PEOPLE ASSISTING THE HOMELESS)**  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Income Taxes** - The Organization is a qualified non-profit organization under Section 501(c)(3) of the Internal Revenue Code 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, 2014, 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, 2014, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions. As of June 30, 2014, all federal tax returns since the 2010 tax year and state tax returns since the 2009 tax year are still subject to adjustment upon audit. No tax returns are currently being examined by taxing authorities.

**Risks and Uncertainties** - Certain of the Organization's services are governed by grant agreements with governmental agencies. All such grant agreements to which the Organization currently is a party 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. Failure of the Organization to comply with applicable regulatory requirements can result in, among other things, loss of funding, warning letters, fines, injunctions, and civil penalties.

Historically, the Organization's services are funded primarily by the U.S. Department of Housing and Urban Development (representing approximately 75% of contract income and 52% of total revenue and support for the year ended June 30, 2014). As such, the Organization is required to comply with OMB Circular A-133 and other federal audit requirements. Failure of the Organization to comply with applicable regulatory requirements can result in, among other things, loss of funding, warning letters, fines, injunctions, civil penalties, and could have an adverse effect on the Organization's financial position and operations. The Organization has historically been able to obtain new contract agreements and, based on its relationships, management believes that they will be able to continue obtaining appropriate contracts to fund future operations.

**Subsequent Events** - Subsequent events have been evaluated by the Organization through January 30, 2015, 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.

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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment as of June 30, 2014 consists of:

Land	\$ 1,209,144
Building and improvements	10,322,231
Furniture and equipment	917,534
Automobiles	<u>77,437</u>
	12,526,346
Less: accumulated depreciation and amortization	<u>(5,402,427)</u>
	<u>\$ 7,123,919</u>

**NOTE 4 - 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. The activities of the Fund for the year ended June 30, 2014 are:

Balance as of July 1, 2013	\$ 27,770
Gain on investment	<u>4,193</u>
Balance as of June 30, 2014	<u>\$ 31,963</u>

**NOTE 5 - LINE OF CREDIT**

The Organization had an unsecured line of credit (the "Line") for \$250,000 with a financial institution. Interest on the outstanding borrowings is charged monthly at 2.5%. The Line matures January 31, 2016. During fiscal year 2014, the Organization converted \$250,000 of borrowings on their line of credit to a loan (see Note 6). As a result, the balance as of June 30, 2014 for the line of credit has \$250,000 available.

On September 16, 2014, the Organization received a line of credit for \$450,000 with a financial institution expiring on September 17, 2015. Interest on the outstanding borrowings is charged monthly at 2.475%. The line of credit is secured directly by \$500,000 of certificate of deposits by the same financial institution. As of January 30, 2015, \$450,000 was outstanding on the line of credit.

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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 - LINE OF CREDIT, continued**

On October 9, 2014, the Organization received an additional secured line of credit for \$500,000 with a financial institution and interest on the outstanding borrowings is charged monthly at 1.05%. The line of credit expires December 28, 2015 and is secured directly by \$500,000 of certificate of deposits opened by the Organization on July 1, 2014. As of January 30, 2015, \$500,000 was outstanding on the line of credit.

**NOTE 6 - NOTES PAYABLE**

Notes payable at June 30, 2014 are summarized as follows:

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") bearing interest at 5.25% due May 1, 2016. Principal and interest of \$14,978 are due monthly. A balloon payment of approximately \$1,503,000 is due upon maturity. \$ 1,617,033

Note payable to Housing Authority of the County of Los Angeles, 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. Unpaid interest on this note at June 30, 2014 is \$352,220, and included in interest payable in the statement of financial position. This note is subordinate to the Primary Madison Note. 909,450

Note payable to the National Assistance League ("Primary Fernwood Note"), secured by a deed of trust on real property at 5627 Fernwood Avenue, Los Angeles, California, due in monthly installments of principal and interest of \$3,047 through April 30, 2018, interest payable at 6%. A balloon payment of approximately \$362,371 is due upon maturity. 413,033

Note payable to a financial institution ("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 \$5,016 through October 30, 2017, interest at 7.5%. 175,710

Note payable to the Community Redevelopment Agency (the "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, 2014 is \$42,401, and included in interest payable in the statement of financial position. This note is subordinated to the Primary Cotner Note. 848,017

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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 6 - NOTES PAYABLE, continued**

Note payable to a financial institution for \$250,000. This amount was converted from borrowings on a line of credit (see Note 5) to an unsecured notes payable on December 9, 2013 bearing interest at 2.5% due January 31, 2015. Principal and interest are paid at maturity. Subsequent to June 30, 2014, the Organization fully paid off the line of credit on December 31, 2014.

	<u>250,000</u>
	4,213,243
Less current portion	<u>(433,848)</u>
	<u>\$ 3,779,395</u>

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

2015	\$ 433,848
2016	1,697,276
2017	155,707
2018	126,324
2019	469,526
Thereafter	<u>1,330,562</u>
	<u>\$ 4,213,243</u>

For the loans from the Community Redevelopment Agency and the Housing Authority of the County of Los Angeles, 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 year the related note matures in the above table. There was no recognition of loan and interest forgiveness for the year ended June 30, 2014.

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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7 - FORGIVABLE NOTES PAYABLE**

In support of the Fernwood Avenue property, the Department of Housing and Community Development of the State of California (the "DHCDC") financed the Organization by extending construction advances of \$500,000 forgivable at maturity, as long as the underlying property continues to be used for its current charitable purposes. The DHCDC is secured by a deed of trust on real property at 5627 Fernwood Avenue, Los Angeles, California, bearing interest at 3% per annum, and was due February 2014. Unpaid interest on this note at June 30, 2014 is \$157,500, and is recorded as interest payable in the accompanying statement of financial position. The DHCDC loan and accrued interest shall be forgiven at the completion of the loan term as long as the related property is used as an emergency shelter or transitional housing in accordance with the related regulatory agreement. The balance of the note and related accrued interest will remain on the statement of financial position until the loan is forgiven. As of June 30, 2014, the Organization was in compliance with the covenants of the DHCDC note. Management expects the current portion of the note to be fully forgivable as it has complied with the terms of the agreement through December 2013.

The related loan payable of \$500,000 and accrued interest payable of \$157,500, as of June 30, 2015, will be recorded as a forgiveness from the creditor once the Organization receives a formal written forgiveness from the State of California which the Organization expects to receive during the year ending June 30, 2015. At the time that the notification is received, the total liability of \$657,500 will be removed from the statement of financial position and reflected as support received in the statement of activities.

**NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2014</u>
Private foundations' donations to PATH's programs	\$ -	\$ 200,000	\$ (200,000)	\$ -
Land and building at the Madison Property, restricted for affordable housing for program participants through September 2031 of \$7,660,466, net of accumulated depreciation of \$3,004,328, and outstanding loans of \$2,526,483	2,309,048	-	(179,393)	2,129,655
	<u>\$ 2,309,048</u>	<u>\$ 200,000</u>	<u>\$ (379,393)</u>	<u>\$ 2,129,655</u>

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS, continued**

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, 2014 is as follows:

Release of temporarily restricted net assets related to the Madison property:	
Depreciation expense on buildings at the Madison Property, restricted for affordable housing for program participants	\$ (236,349)
Less: Principal pay downs on loans associated with buildings and land at the Madison Property, restricted for affordable housing for program participants, including debt forgiveness	56,956
	(179,393)
Release of temporarily restricted net assets related to contributed funds	(200,000)
	\$ (379,393)

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.

**NOTE 9 - DEFERRED RENTAL INCOME**

The Organization subleases certain space at the Madison Property for 15 years for a lump-sum amount of \$110,000 paid in advance. Rental income will be recognized on a straight-line basis over the life of the agreement at \$7,333 per year. The unamortized balance is included in deferred rental income on the statement of financial position.

**NOTE 10 - SPECIAL EVENTS**

The Organization held several special events during the year ended June 30, 2014. Revenues and expenses from the events were as follows:

	<u>Revenues</u>		<u>Expenses</u>		<u>Net</u>
Imaginary Feast	\$ 374,438	\$	20,563	\$	353,875
Anniversary Event	161,000		3,312		157,688
Veronica Mars Campaign	327,147		34,918		292,229
Making it Home Event	59,248		16,690		42,558
Garden Project	51,500		6,864		44,636
	\$ 973,333	\$	82,347	\$	890,986

**PATH (PEOPLE ASSISTING THE HOMELESS)**  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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**NOTE 11 - 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, 2014 was \$160,337.

**NOTE 12 - RELATED PARTY TRANSACTIONS**

**Notes Receivable** - During fiscal year 2014, the Organization entered into three separate short-term note agreements, with Beyond Shelter, a non-profit corporation related by common board membership. As of June 30, 2014, Beyond Shelter owed the Organization \$136,955 at the rates ranging from 1% to 3% per annum, with the notes receivable between December 31, 2013 and June 3, 2015.

The Organization made several advances during fiscal year 2014 that totaled \$18,730 to Gramercy Housing Group, a non-profit corporation related by common board membership. As of June 30, 2014, the Organization has \$2,376 due on demand in notes receivable.

The Organization maintains two short-term note receivable agreements from Path Ventures. There were no additional borrowings or repayments during fiscal 2014. As of June 30, 2014, Path Ventures owed the Organization \$64,156. The notes bear interest at .25% per annum and are due upon demand. During the year, the Organization incurred \$16,572 in land development costs on behalf of PATH Ventures, for which the Organization will be fully reimbursed. These advances are non-interest bearing and are expected to be repaid during fiscal 2015. As of June 30, 2014, PATH Ventures owes the Organization a total of \$80,728 in notes receivable in the accompanying statement of financial position.

**Other Receivables** - Other receivables resulting from advances by the Organization to the related parties consist of the following as of June 30, 2014:

Beyond Shelter	\$ 43,466
Gramercy Housing Group	2,692
Path Ventures	18,045
	<u>\$ 64,203</u>

**Notes Payable** - The Organization entered into an agreement with Path Ventures, a non-profit corporation related by common board membership. The note bears interest at 1.09% per annum and is due June 30, 2015. As of June 30, 2014, the balance of this note payable is \$150,000.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**NOTE 12 - RELATED PARTY TRANSACTIONS, continued**

**Accounts Payable** - Accounts payable to related parties as of June 30, 2014, consist of:

Beyond Shelter	\$	50
Gramercy Housing Group		743
PATH Ventures, for pass-through contract revenues		21,398
Board member, for contractual services		5,904
Board member, for contractual services		2,167
		<u>30,262</u>
	\$	<u>30,262</u>

**Sub-recipient Grants** - The Organization receives a pass-through grant for the Mental Health Services Act ("MHSA") Grant from the California Department of Mental Health, which it administers to Path Ventures for the Family Commons program in Long Beach. The revenue to Path Ventures for this grant totaled \$78,638 for the year ended June 30, 2014 and is included in the accompanying statement of activities as contract income while the grant award is reflected as sub-recipient expense in the accompanying statement of functional expenses.

**Gramercy Court Lease** - During the year ended June 30, 2014, the Organization leased premises at \$1 per year from Gramercy Court, LP ("Gramercy Court"), whose limited partner, Gramercy Housing, is a non-profit corporation related to the Organization by common board membership. The lease expires April 1, 2018.

During the year ended June 30, 2014, the Organization subleased the premises from Gramercy Court to Beyond Shelter, a non-profit corporation related by common board membership, for \$2,200 per month. The rental income of \$17,600 is included with rental income in the accompanying statement of activities. The sublease expires April 1, 2018.

**Services Received from the Board of Directors** - For the year ended June 30, 2014, the Organization compensated certain board members, with the related expenses included as part of utilities and professional services, in the accompanying statement of functional expenses. These expenses are as follows:

Janitorial services of \$2,167 per month, to firm owned by a board member	\$	26,004
Public relations compensated at the rate of \$95 per hour, to firm owned by a board member		66,799
		<u>92,803</u>
	\$	<u>92,803</u>

**PATH (PEOPLE ASSISTING THE HOMELESS)**  
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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 13 - CONTRACT INCOME**

The Organization's contract revenues funding during the year ended June 30, 2014 were from the following government agencies:

Department of Housing and Urban Development	\$ 7,225,118
Los Angeles Homeless Services Authority	955,164
Department of Veteran Affairs	1,774,088
Department of Labor	307,294
Department of Health and Human Services	64,908
Federal Emergency Management Agency	120,431
City of West Hollywood	331,771
City of Beverly Hills	47,076
County of Los Angeles - Department of Mental Health	78,863
Other contracts	66,681
	<u>\$ 10,971,394</u>

**NOTE 14 - INDEMNITIES AND GUARANTEES**

The Organization has made certain indemnities and guarantees under which it may be required to make payments in relation to certain transactions. The Organization indemnifies its directors, officers, employees and agents to the maximum extent permitted under the laws of the State of California. The duration of these indemnities and guarantees varies and, in certain cases, is indefinite. These indemnities and guarantees do not provide for any limitation of the maximum potential future payments the Organization could be obligated to make. Historically, the Organization has not been obligated to make significant payments for these obligations and no liabilities have been recorded for these indemnities and guarantees in the accompanying statement of financial position.

**NOTE 15 - COMMITMENTS AND CONTINGENCIES**

**Capital Leases** - The Organization leases equipment under a capital lease that expires in August 2020. The lease agreement calls for annual payments of \$23,941. 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.

Included in property and equipment at June 30, 2014 are the following assets held under capital leases:

Equipment	\$ 94,550
Less: accumulated depreciation	<u>(7,004)</u>
	<u>\$ 87,546</u>

**PATH (PEOPLE ASSISTING THE HOMELESS)**  
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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 15 - COMMITMENTS AND CONTINGENCIES, continued**

Future minimum lease payments for assets under capital leases for years ending June 30, 2014 are as follows:

2015	\$ 19,951
2016	23,941
2017	23,941
2018	23,941
2019	23,941
2020	<u>3,988</u>
	119,703
Less: amount representing interest	(25,153)
Less: current portion	<u>(15,758)</u>
	<u>\$ 78,792</u>

**SUPPLEMENTAL SCHEDULES**

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**PATH (PEOPLE ASSISTING THE HOMELESS)  
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**SCHEDULE OF EXPENDITURES BY FUNDING SOURCE  
YEAR ENDED JUNE 30, 2014**

	U.S. Department of Housing and Urban Development	U.S. Veterans Affairs	U.S. Department of Health and Human Services	Federal Emergency Management Agency	U.S. Department of Labor	Local Cities	State of California	County of Los Angeles	Other	Total
<b>PERSONNEL EXPENSES</b>										
Salaries	\$ 3,230,262	\$ 844,933	\$ 9,854	\$ 81,570	\$ 206,955	\$ 657,174	\$ 30,488	\$ 1,748	\$ 1,877,646	\$ 6,940,630
Payroll taxes	268,142	70,137	818	6,771	17,180	54,553	2,531	145	155,861	576,138
Employee benefits	535,443	140,055	1,633	13,521	34,304	108,932	5,054	290	311,236	1,150,468
<b>TOTAL PERSONNEL EXPENSES</b>	<b>4,033,847</b>	<b>1,055,125</b>	<b>12,305</b>	<b>101,862</b>	<b>258,439</b>	<b>820,659</b>	<b>38,073</b>	<b>2,183</b>	<b>2,344,743</b>	<b>8,667,236</b>
<b>OTHER EXPENSES</b>										
Automobile	66,198	3,566	-	-	-	6,921	-	2,420	9,073	88,178
Bank charge	273	-	-	-	-	1,131	-	-	92,349	93,753
Building maintenance	334,540	57,262	-	23,524	7,704	46,021	-	-	153,697	622,748
Direct client assistance	234,398	489,387	-	8,399	18,618	26,496	-	9,595	460,162	1,247,055
Insurance	68,281	15,707	-	5,999	-	5,065	-	-	34,450	129,502
In-kind expense	-	-	-	-	-	-	-	-	4,500	4,500
Interest	28,785	-	-	-	-	-	-	-	132,491	161,276
Interest on forgivable and residual receipts notes payable	-	-	-	-	-	-	-	-	42,284	42,284
Miscellaneous expenses	-	80	-	72	-	2,962	-	-	29,916	33,030
Office	45,667	10,860	-	1,383	3,034	5,577	127	-	43,224	109,872
Printing and artwork	1,348	403	-	69	-	1,282	-	-	14,660	17,762
Professional services	1,028,575	2,942	-	1,519	-	3,927	-	-	186,149	1,223,112
Property taxes and other fees	-	-	-	-	-	-	-	-	4,741	4,741
Residential food and supplies	90,213	16,756	-	15,785	1,039	37,296	-	-	22,826	183,915
Security	362,767	37,166	-	26,921	14,160	63,664	-	-	52,085	556,763
Staff training and recruitment	38,113	2,166	-	391	159	6,156	-	-	110,486	157,471
Sub-recipient grants	228,859	-	-	-	-	398,217	-	78,638	-	705,714
Telephone	82,700	10,435	12	2,471	1,062	11,416	-	-	37,988	146,084
Travel	122,195	6,094	-	2	8,500	35,813	70	-	35,470	208,144
Utilities	335,628	31,434	-	19,652	11,704	88,065	-	-	82,615	569,098
<b>TOTAL OTHER EXPENSES</b>	<b>3,068,540</b>	<b>684,258</b>	<b>12</b>	<b>106,187</b>	<b>65,980</b>	<b>740,009</b>	<b>197</b>	<b>90,653</b>	<b>1,549,166</b>	<b>6,305,002</b>
<b>TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>7,102,387</b>	<b>1,739,383</b>	<b>12,317</b>	<b>208,049</b>	<b>324,419</b>	<b>1,560,668</b>	<b>38,270</b>	<b>92,836</b>	<b>3,893,909</b>	<b>14,972,238</b>
Depreciation and amortization	-	-	-	-	-	-	-	-	385,869	385,869
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 7,102,387</b>	<b>\$ 1,739,383</b>	<b>\$ 12,317</b>	<b>\$ 208,049</b>	<b>\$ 324,419</b>	<b>\$ 1,560,668</b>	<b>\$ 38,270</b>	<b>\$ 92,836</b>	<b>\$ 4,279,778</b>	<b>\$ 15,358,107</b>

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

**PATH CARES PROGRAM – STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2014**

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**ASSETS**

Cash reserves	\$ 1,000
	<u>\$ 1,000</u>

**LIABILITIES AND NET ASSETS**

Current liabilities	
Current portion of notes payable	\$ 30,305
	30,305
Notes payable, net of current portion	879,145
Interest payable	352,220
Intercompany payable to general fund	259,232
	<u>1,520,902</u>
Net assets	
Unrestricted	(1,519,902)
	<u>(1,519,902)</u>
	<u>\$ 1,000</u>

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

**PATH CARES PROGRAM – STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

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	<b>PATH Cares (PATHWays - Regional Homeless Center) (340 North Madison Avenue, Los Angeles, California)</b>
<b>REVENUE</b>	
Direct support - public	\$ 15,000
Contract income - government agencies	862,274
Non-government revenue	92,185
	<u>969,459</u>
<b>EXPENSES</b>	
Program services	<u>1,271,853</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	(302,394)
<b>UNRESTRICTED NET ASSETS, beginning of year</b>	<u>(1,217,508)</u>
<b>UNRESTRICTED NET ASSETS, end of year</b>	<u>\$ (1,519,902)</u>

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

**PATH CARES PROGRAM – STATEMENT OF CASH FLOWS AND RESERVES**  
**YEAR ENDED JUNE 30, 2014**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (302,394)
Changes in operating assets and liabilities:	
Interest payable	<u>27,284</u>
Net cash flows from operating activities	(275,110)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Borrowings from intercompany general fund	<u>259,232</u>
Net change in cash and cash equivalents	(15,878)
Cash and cash equivalents, beginning of year	<u>16,878</u>
Cash and cash equivalents, end of year	<u>\$ 1,000</u>
Reserve requirement	<u>\$ 14,970</u>
Underfunding	<u>\$ (13,970)</u>

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

**STATEMENT OF ACTIVITIES FOR SELECTED PROGRAMS  
YEAR ENDED JUNE 30, 2014**

	<b>PATH Families (5105 West 20th Street, Los Angeles, California)</b>	<b>PATHWays - West Los Angeles &amp; PATH Finders - West Los Angeles (2346 Cotner Avenue, Los Angeles, California)</b>
<b>REVENUE</b>		
Direct support - public	\$ -	\$ 22,500
Contract income - government agencies	-	322,013
Non-government revenue	-	36,980
	-	381,493
<b>EXPENSES</b>		
Program services	1,207	479,166
	1,207	479,166
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	(1,207)	(97,673)
<b>UNRESTRICTED NET ASSETS, beginning of year</b>	239,426	(510,808)
<b>UNRESTRICTED NET ASSETS, end of year</b>	\$ 238,219	\$ (608,481)



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**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, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2015.

**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 30, 2015



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**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 OMB CIRCULAR A-133**

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 United States Office of Management and Budget (“OMB”) Circular A-133 *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, 2014. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

### **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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the Organization as of and for the year ended June 30, 2014, and have issued our report thereon dated January 30, 2015, 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 OMB Circular A-133 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 30, 2015

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance (CFDA) Number	Agency or Pass-Through Entity Identifying Number	Federal Awards Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
Direct programs:			
Supportive Housing Program	14.235	CA0429B9D001205	\$ 97,984
Supportive Housing Program	14.235	CA0455B9D001205	116,711
Supportive Housing Program	14.235	CA0432B9D001205	227,098
Supportive Housing Program	14.235	CA1115B9D011100	272,185
Supportive Housing Program	14.235	CA1115L9D011201	398,566
Supportive Housing Program	14.235	CA0432L9D001306	87,638
			<u>1,200,182</u>
Pass-through programs from:			
Los Angeles Homeless Services Authority Supportive Housing Program	14.235	CA0394L9D001205	155,812
			<u>155,812</u>
<b>Total programs</b>			<u>1,355,994</u>
Direct programs:			
Section 8 Housing Choice Vouchers/ Veterans Affairs Supportive Housing Program	14.857	VA262-13-D-0147	179,000 *
Veterans Affairs Supportive Housing Program	14.857	VA262-12-D-0138	5,520,054 *
<b>Total programs</b>			<u>5,699,054</u>
Pass-through programs from:			
Los Angeles Homeless Services Authority Community Development Block Grant	14.218	2013CDBG27	90,258
Community Development Block Grant	14.218	2013CDBG29	579,164
			<u>669,422</u>
Housing Innovations Department San Diego Commission Community Development Block Grant	14.218	n/a	291,662
Community Development Block Grant	14.218	n/a	34,220
			<u>325,882</u>
<b>Total programs</b>			<u>995,304</u>
Los Angeles Homeless Services Authority Emergency Shelter Program	14.231	2013ESG01	55,374
Emergency Shelter Program	14.231	2014ESG01	26,238
Emergency Shelter Program	14.231	2013ESG07	35,852
Emergency Shelter Program	14.231	2014ESG07	12,466
<b>Total programs</b>			<u>129,930</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>8,180,282</u>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance (CFDA) Number	Agency or Pass-Through Entity Identifying Number	Federal Awards Expenditures
<b>U.S. Department of Labor</b>			
Direct programs:			
Homeless Veterans Reintegration Project	17.805	HV-23270-12-60-5-6	300,000
Homeless Veterans Reintegration Project	17.805	HV-20684-10-60-5-6	7,294
Total U.S. Department of Labor			<u>307,294</u>
<b>Federal Emergency Management Agency</b>			
Pass-through programs from:			
Los Angeles County Emergency Food and Shelter Program Local Board			
Emergency Food and Shelter Program	97.024	EFSP Phase 31	120,431
Total Federal Emergency Management Agency			<u>120,431</u>
<b>U.S. Department of Health and Human Services</b>			
Affordable care act grant for new and expanded services under the health center program/ Family Health Centers - HRSA			
	93.527	HRSA-13-279	64,908
Total U.S. Department of Health and Human Services			<u>64,908</u>
<b>U.S. Department of Veterans Affairs</b>			
Direct programs:			
Grants and Per Diem Program	64.024	08-006-CA	55,045
Grants and Per Diem Program	64.024	04-158-CA	25,782
Grants and Per Diem Program	64.024	03-96-CA	129,920
Grants and Per Diem Program	64.024	04-157-CA	66,911
			<u>277,658</u>
Supporting Services for Veteran Families Program	64.033	R12-CA-326	1,496,430 *
			<u>1,496,430</u>
Total U.S. Department of Veterans Affairs			<u>1,774,088</u>
<b>Total expenditures of federal awards</b>			<u>\$ 10,447,003</u>

\* Major program

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2014**

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**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, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. 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 OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2014**

---

**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 Section 510(a) of OMB Circular A-133.
9. The programs tested as major programs (including pass-through programs) are:

	<u><b>CFDA Number</b></u>
Veteran Affairs Supportive Housing Program	14.857
U.S. Department of Veterans Affairs/ Supporting Services for Veteran Families Program	64.033

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**YEAR ENDED JUNE 30, 2014**

---

**A. SUMMARY OF AUDIT RESULTS, Continued**

- 10. The threshold for distinguishing Type A and B programs was \$300,000.
- 11. The Organization was considered to be a low-risk auditee for the year ended June 30, 2014.

**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.



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**FIRST AMENDED AND RESTATED BYLAWS  
OF  
P.A.T.H.**

**A CALIFORNIA NONPROFIT  
PUBLIC BENEFIT CORPORATION**

(Effective as of April 14, 2011)

**ARTICLE I.**

**OFFICES**

**Section 1. PRINCIPAL EXECUTIVE OFFICE.** The principal executive office of the corporation is hereby fixed and located at 340 N. Madison Ave., Los Angeles, California 90004. The Board of Directors is hereby granted full power and authority to change said principal executive office from one location to another.

**Section 2. OTHER OFFICES.** Branch or subordinate offices may at any time be established by the Board of Directors at any place or places.

**ARTICLE II.**

**PURPOSES**

**Section 1. PURPOSES.** This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for public and charitable purposes. The specific purposes of this corporation are to provide housing and/or support services for families and adults who are homeless or at risk of becoming homeless. This corporation is organized and operated exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), or the corresponding provision of any future United States revenue law. This corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of its public and charitable purposes, and the corporation shall not carry on any other activities not permitted to be carried on by (a) a corporation exempt from federal income tax under Internal Revenue Code Section 501(c)(3) or the corresponding provision of any future United States internal revenue law, or (b) a corporation, contributions to which are deductible under Internal Revenue Code Section 170(c)(2) or the corresponding provision of any future United States internal revenue law.

**Section 2. DEDICATION OF ASSETS.** The property of this corporation is irrevocably dedicated to charitable purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any director or officer thereof or to the benefit of any private person. Upon the dissolution or winding up of the corporation, its assets remaining

after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to a non-profit fund, foundation or corporation which is organized and operated exclusively for charitable, scientific, literary, or educational purposes and which has established its tax exempt status under Section 501(c)(3) of the Internal Revenue Code (or any corresponding provision of any future United States Internal Revenue Laws).

**Section 3. NONPARTISAN ACTIVITIES.** No substantial part of the activities of this corporation shall consist of lobbying or propaganda, or otherwise attempting to influence legislation. This corporation shall not participate or intervene in any political campaign (including the publishing or distributing of statements) on behalf of any political campaign on behalf of any candidate for public office.

**Section 4. MISSION AND PROGRAM VALUES.** The overall mission shall be to end homelessness for individuals, families and communities. The corporation may adopt specific mission statement(s) within the overall mission. Program values include:

- (a) Creative Approaches
- (b) Collaborative Efforts
- (c) Embracing Change
- (d) Promoting Self-Sufficiency

### **ARTICLE III.**

#### **DIRECTORS**

**Section 1. POWERS.** Subject to any limitations in the California Nonprofit Corporation Law, or any other applicable laws and subject to the limitations of the Articles of Incorporation or Bylaws, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors. The Board of Directors may delegate the management of the day-to-day operation of the business of the corporation to a management company or other person, provided that the business and affairs of the corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board of Directors. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Board shall have the following powers in addition to the other powers enumerated in these Bylaws.

- (a) To select and remove all the officers, agents, and employees of the corporation; prescribe the powers and duties for them as may not be inconsistent with law, or with the Articles or these Bylaws; fix their compensation; and require from them security for faithful service.

(b) To conduct, manage, and control the affairs and business of the corporation and to make such rules and regulations therefor not inconsistent with law, or with the Articles or these Bylaws, as they may deem best.

(c) To borrow money and incur indebtedness for the purposes of the corporation, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecation, or other evidences of debt and securities therefor.

(d) To adopt, make, use or alter the form of a corporate seal.

**Section 2. NUMBER OF DIRECTORS.** The authorized number of Directors of the corporation shall be not less than eleven (11), nor more than thirty (30), with the exact number to be determined by resolution of the Board of Directors, until changed by a Bylaw duly adopted by the Directors amending this Article III, Section 2.

**Section 3. LIMITATION ON INTERESTED PERSONS AS DIRECTORS.** At no time shall more than forty-nine percent (49%) of the persons serving on the Board be an interested person. An interested person is (i) any person being compensated by this corporation for services rendered to it within the previous twelve (12) months, whether as a full time or part time employee, independent contractor or otherwise, excluding any reasonable compensation paid to a Director as director; and (ii) any brother, sister, ancestor, descendant, spouse, brother in law, sister in law, son in law, daughter in law, mother in law or father in law of any such person. Any violation of the provisions of this paragraph shall not, however, affect the validity or enforceability of any transaction entered into by the corporation.

**Section 4. INITIAL APPOINTMENT, SUBSEQUENT ELECTION AND TERMS OF OFFICE.**

(a) **Appointment of Directors.** The Directors of the corporation shall consist of twenty-four (24) individuals and shall be appointed by the corporation. Nineteen (19) of the Directors shall be known as the "Elected Directors", four (4) of the Directors shall be known as the "PATH Ventures Directors", and one (1) Director shall be known as a "Gramercy Housing Group Director".

(b) **Subsequent Election of Elected Directors.** Subsequent to their initial appointment, the Elected Directors shall be elected at the regular or special meeting of the Board of Directors, following the expiration of the term each Elected Director.

(c) **Subsequent Selection of PATH Ventures Directors.** Subsequent to their initial appointment, the PATH Ventures Directors shall be selected by the Real Estate Board of PATH Ventures, a California nonprofit public benefit corporation, or such other PATH Ventures advisory board as determined by the PATH Ventures Board of Directors.

(d) **Subsequent Selection of Gramercy Housing Group Director.** Subsequent to his or her initial appointment, the Gramercy Housing Group Director shall be selected by the Program Board of Gramercy Housing Group, a California public benefit corporation, or such

other Gramercy Housing Group advisory board as determined by the Gramercy Housing Group Board of Directors.

(c) Terms of Office. Twelve (12) Elected Directors shall have an initial term of three (3) years. These twelve (12) Directors shall be designated by the Board of Directors. The remaining twelve members of the Board of Directors shall have an initial term of four (4) years. After the expiration of the initial terms, each Director shall have a four (4) year term. All Directors shall hold office until the term herein specified expires or until their respective successors are elected. Directors may be invited to serve additional terms.

**Section 5. RESIGNATION AND REMOVAL OF DIRECTORS.**

(a) Resignation. Any director may resign effective upon giving written notice to the Chairperson of the Board, a Co-Chairperson of the Board, the Secretary or the Board of Directors of the corporation, unless the notice specifies a later time for the effectiveness of such resignation, in which case such resignation shall be effective at the time specified. Except upon notice to the Attorney General of California, no Director may resign where the corporation would then be left without a duly elected Director.

(b) Removal. Any Director may be removed, with or without cause, by a majority vote of the Directors then in office or by order of a court as provided in Corporations Code Section 5223.

(c) Reduction of Authorized Number of Directors. No reduction of the authorized number of Directors shall have the effect of removing any Director before his term of office expires.

**Section 6. VACANCIES.**

(a) Definition. Vacancy, when used with respect to the Board, means any authorized position of Director which is not then filled, whether the vacancy is caused by death, resignation, removal, change in the number of Directors authorized in the Articles of Incorporation or Bylaws or otherwise.

(b) Filling of Vacancies. Vacancies in the Board of Directors, including a vacancy created by the removal of a Director, may be filled by the approval of the remaining Directors, or if the number of Directors then in office is less than a quorum, by (i) the unanimous written consent of the Directors then in office, (ii) the affirmative vote of a majority of the Directors in office at a meeting held according to notice or waivers complying with Corporations Code Section 5211, or (iii) a sole remaining Director.

**Section 7. PLACE OF MEETINGS.** Regular and special meetings of the Board of Directors shall be held at any place within or without the State which has been designated in the notice of the meeting, or, if not stated in the notice or, if there is no notice, designated by resolution of the Board of Directors. If the place of a regular or special meeting is not designated in the notice or fixed by a resolution of the Board, it shall be held at the corporation's principal executive office.

**Section 8. REGULAR MEETINGS.** Each year in the month of June, the Board of Directors shall hold an annual regular meeting for the purposes of election of Directors, appointment of officers and transaction of other business. Other regular meetings of the Board of Directors may be held at such time and place as the Board of Directors may fix from time to time.

**Section 9. SPECIAL MEETINGS.** Special meetings of the Board of Directors for any purpose may be called at any time by the Chairperson of the Board, any Co-Chairperson of the Board, any Vice Chairperson of the Board, the Secretary or any two Directors.

**Section 10. NOTICE OF MEETINGS.** Notice of the date, time and place of regular and special meetings shall be delivered personally or by telephone or telegraph or transmitted through electronic means or sent to the Directors by mail. In case notice is given by mail, or telegram, it shall be sent, charges prepaid, addressed to him or her at his or her address as it is shown on the records of the corporation, or if it is not on these records or is not readily ascertainable, at the place where the regular Board meetings are held. If notice is delivered personally or given by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail or other electronic means, it shall be given or delivered (i) at least twelve (12) days to an annual regular meeting, (ii) at least five (5) days prior to a regular meeting other than an annual meeting or (iii) at least four (4) days prior to a special meeting. If notice is mailed, it shall be deposited in the United States mail (iv) at least fourteen (14) days prior to an annual regular meeting, (v) at least seven (7) days prior to a regular meeting other than an annual meeting or (vi) at least forty-eight (48) hours prior to a special meeting. A notice, or waiver of notice, need not specify the purpose of the meeting of the Board of Directors. Notice of regular meetings may be given in the form of a calendar or schedule that sets forth the date, time and place of more than one regular meetings.

**Section 11. ACTION WITHOUT MEETING.** Any action required or permitted to be taken by the Board of Directors by law, according to the Articles of Incorporation or according to these Bylaws may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board and shall have the same force and effect as a unanimous vote of such Directors.

**Section 12. MEETINGS BY CONFERENCE TELEPHONE.** Members of the Board of Directors may participate in a meeting through use of the conference telephone or similar communications equipment, so long as all members of the Board participating in such a meeting can hear and speak to one another. Participation by a Director in a meeting in the manner provided in this Section shall constitute presence in person by such Director at such meeting.

**Section 13. ACTION AT MEETING: QUORUM AND REQUIRED VOTE.** Presence of a majority of the authorized number of Directors at a meeting of the Board of Directors constitutes a quorum for the transaction of business, except as hereinafter provided. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present is the act of the Board of Directors, unless a greater number, or the

same number after disqualifying one or more Directors from voting, is required by law, the Articles of Incorporation, or these Bylaws. The California Nonprofit Corporation Law requires more stringent voting requirements for approval of certain matters, including without limitation, those relating to: (a) approval of contracts or transactions in which a Director has a direct or indirect material financial interest, (b) approval of certain transactions between corporations having common directorships, (c) creation of and appointments to committees of the Board of Directors and (d) indemnification of Directors. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of one or more Directors, provided that any action taken is approved by at least a majority of the required quorum for such meeting.

**Section 14. WAIVER OF NOTICE.** The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call or notice, if a quorum be present, and if, (a) either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding such meeting or an approval of the minutes thereof and (b) none of the Directors present protests the lack of proper notice prior to the meeting or at its commencement. A waiver of notice need not specify the purpose of any meeting of the Board of Directors. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

**Section 15. ADJOURNMENT.** A majority of the Directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If the meeting is adjourned for more than twenty four (24) hours, notice of the adjournment to another time or place shall be given prior to the time of the adjourned meeting to the Directors who are not present at the time of the adjournment.

**Section 16. REIMBURSEMENT OF EXPENSES/COMPENSATION.** Directors and members of Special Advisory Committees or Special Advisory Boards of the Board shall not receive compensation for their services as Directors or members of Special Advisory Committees or Special Advisory Boards. Directors and members of Special Advisory Committees or Special Advisory Boards shall be entitled to receive reasonable and just reimbursements for allowable expenses in connection with their services as Directors and as members of Special Advisory Committees or Special Advisory Boards of the Board, pursuant to procedures authorized by resolution of the Board for reimbursement of such expenses.

#### **ARTICLE IV.**

##### **OFFICERS**

**Section 1. OFFICERS.** The officers of the corporation shall be:

- (a) Chairperson of the Board (President);
- (b) Secretary; and
- (c) Treasurer.

The corporation may also have, at the discretion of the Board of Directors, such other officers, including but not limited to one or more Co-Chairpersons of the Board, one or more Vice-Chairpersons of the Board, one or more Assistant Secretaries, one or more Assistant Treasurers, a Chief Executive Officer, an Executive Director, a Chief Financial Officer and such other officers as may be appointed by the Board of Directors. One person may hold two or more offices; provided, however, that neither the Secretary, nor the Treasurer, may serve concurrently as Chairperson of the Board or a Co-Chairperson of the Board.

**Section 2. ELECTIONS.** The officers of the corporation designated in the preceding section of this Article, except such officers as may be elected or appointed in accordance with Section 3 or Section 5 of this Article, shall be chosen by the Board of Directors at the annual regular meeting. Each officer shall hold his or her office for an initial term of two (2) years at the pleasure of the Board of Directors who may, either at an annual or special meeting, remove any such officer and appoint his or her successor. The officers may serve any number of additional one (1) year terms if so elected or appointed by the Board of Directors.

**Section 3. SUBORDINATE OFFICERS.** The Board of Directors may appoint or may authorize the Chairperson, any Co-Chairperson or another officer to appoint such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws or as the Board of Directors may from time to time determine.

**Section 4. REMOVAL AND RESIGNATION.** Subject to the rights of any officer under an employment contract, the Board of Directors may remove any officer with or without cause. An officer who was not chosen by the Board may be removed by any other officer upon whom the Board confers the power of removal.

Any officer may resign at any time by giving written notice to the Board of Directors, or to the Chairperson of the Board, any Co-Chairperson of the Board, or to the Secretary of the corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

**Section 5. VACANCIES.** The Board of Directors shall appoint a new officer to fill a vacancy in any office because of death, resignation, removal, disqualification or any other cause.

**Section 6. CHAIRPERSON OF THE BOARD.** The Chairperson of the Board or one of the Co-Chairpersons of the Board shall, if present, preside at all meetings of the Board of Directors, and exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Directors or prescribed by the Bylaws. The Chairperson of the Board, or if applicable, the Co-Chairpersons of the Board jointly shall, subject to the supervision and control of the Board of Directors, be the general manager(s) of the corporation and have general supervision, direction and control of the business and officers of the corporation. The Chairperson of the Board or, if applicable, Co-Chairpersons of the Board shall have the general powers and duties of management usually vested in the office of president of a corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or the

Bylaws. The Chairperson or any Co-Chairperson may also be referred to by the title of "President" or "Co-President," in addition to or instead of the title of Chairperson or Co-Chairperson.

**Section 7. VICE CHAIRPERSON.** In the absence or disability of the Chairperson or Co-Chairpersons, the Vice Chairpersons, in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice Chairperson designated by the Board of Directors, shall perform all the duties of the Chairperson, and when so acting shall have all the powers of, and be subject to, all the restrictions upon, the Chairperson. The Vice Chairpersons shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors or by the Bylaws. Any Vice-Chairperson may also be referred to by the title of "Vice-President," in addition to or instead of the title of Vice-Chairperson.

**Section 8. SECRETARY.** The Secretary shall record or cause to be recorded and shall keep a book of minutes at the principal executive office or such other place as the Board of Directors may order, of actions taken at all meetings of Directors and its committees, with the time and place of holding, whether annual or special and if special, how authorized, the notice thereof given, and the names of those present. The Secretary shall distribute copies of the minutes for each meeting to each Director prior to the next meeting of the Board of Directors. The Secretary shall give or cause to be given, notice of all meetings of the Board of Directors, as required by the Bylaws to be given, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

The Secretary shall keep or cause to be kept, at the principal California office, a copy of the Articles of Incorporation and Bylaws as amended to date. The Secretary shall keep the corporate seal, if any, in safe custody and shall have such other powers and perform such other duties as the Board or the Bylaws may require.

**Section 9. TREASURER.** The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and accounts of the corporation's properties and transactions. The Treasurer shall send or cause to be given to the Directors such financial statements and reports as are required to be given by law, by these Bylaws, or by the Board. The books of account shall be open to inspection by any Director at all reasonable times.

The Treasurer shall (a) deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the corporation with such depositories as the Board may designate; (b) disburse the corporation's funds as the Board may order; (c) render to the Chairperson of the Board and the Board, when requested, an account of all transactions as Treasurer and of the financial condition of the corporation; and (d) have such other powers and perform such other duties as the Board or the Bylaws may require.

If required by the Board, the Treasurer shall give the corporation a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of the office and for restoration to the corporation of all of its books, papers, vouchers, money, and other property of every kind in the possession or under the control of the Treasurer on his or her death, resignation, retirement, or removal from office.

**Section 10. CHIEF EXECUTIVE OFFICER.** The Board of Directors may authorize the appointment of a Chief Executive Officer, who shall supervise, direct and control the corporation's day-to-day activities, affairs and employees, subject to the supervision and control of the Chairperson or Co-Chairpersons. The Chief Executive Officer shall have the authority to hire and terminate an Executive Director and to delegate to the Executive Director such powers and duties of the Chief Executive Officer as the Chief Executive Officer may deem appropriate. The Chief Executive Officer shall have the authority to establish the compensation of the Executive Director, subject to approval of the Board.

**Section 11. EXECUTIVE DIRECTOR.** The Board of Directors may authorize the appointment of an Executive Director, who shall supervise, direct and control the corporation's day-to-day activities, affairs and employees, subject to the supervision and control of the Chief Executive Officer.

**Section 12. CHIEF FINANCIAL OFFICER.** The Chief Financial Officer, subject to the supervision and control of the Treasurer, shall keep and maintain, or cause to be kept and maintained, adequate and correct books and accounts of the corporation's properties and transactions and shall send or cause to be given to the Directors such financial statements and reports as are required to be given by law, by these Bylaws, or by the Board. The books of account shall be open to inspection by any Director at all reasonable times,

The Chief Financial Officer, subject to the supervision and control of the Treasurer, shall (a) deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the corporation with such depositories as the Board may designate; (b) disburse the corporation's funds as the Board may order; (c) render to the Chairperson of the Board and the Board, when requested, an account of all transactions as Chief Financial Officer and of the financial condition of the corporation; and (d) have such other powers and perform such other duties as the Board or the Bylaws may require.

If required by the Board, the Chief Financial Officer shall give the corporation a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of the office and for restoration to the corporation of all of its books, papers, vouchers, money, and other property of every kind in the possession or under the control of the Chief Financial Officer on his or her death, resignation, retirement, or removal from office.

## **ARTICLE V.**

### **TRANSACTIONS WITH DIRECTORS AND OFFICERS**

**Section 1. CONTRACTS.** No Director of this corporation nor any other corporation, firm, association, or other entity in which one or more of this corporation's Directors have a material financial interest, shall be interested, directly or indirectly, in any contract or transaction with this corporation, unless (a) the material facts regarding that Director's financial interest in such contract or transaction are fully disclosed in good faith and noted in the minutes, or are known to all members of the Board prior to the Board's consideration of such contract or

transaction; (b) such contract or transaction is authorized in good faith by a the vote of a majority of the Directors then in office without counting the votes of the interested Directors; (c) before authorizing or approving the transaction, the Board considers and in good faith decides after reasonable investigation that the corporation could not obtain a more advantageous arrangement with reasonable effort under the circumstances; and (d) the corporation for its own benefit enters into the transaction, which is fair and reasonable to the corporation at the time the transaction is entered into.

This Section does not apply to a transaction that is part of an educational or charitable program of this corporation if it (a) is approved or authorized by the corporation in good faith and without unjustified favoritism and (b) results in a benefit to one or more Directors or their families because they are in the class of persons intended to be benefited by the educational or charitable program of this corporation.

**Section 2. LOANS.** This corporation shall not lend any money or property to or guarantee the obligation of any Director or officer without the approval of the California Attorney General; provided, however, that the corporation may advance money to a Director or officer of the corporation for expenses reasonably anticipated to be incurred in the performance of his or her duties if that Director or officer would be entitled to reimbursement for such expenses by the corporation.

## ARTICLE VI.

### SPECIAL ADVISORY COMMITTEES AND SPECIAL ADVISORY BOARDS

**Section 1. SPECIAL ADVISORY COMMITTEE AUTHORITY.** The Board, by resolution adopted by a majority of the Directors then in office, may create one or more Special Advisory Committees, each consisting of four or more Directors and no one who is not a Director, to serve at the pleasure of the Board. Appointments to Special Advisory Committees of the Board shall be by majority vote of the Directors then in office. The Board may appoint one or more Directors as alternate members of any such Special Advisory Committee, who may replace any absent member at any meeting. Any such Special Advisory Committee shall have all the authority of the Board, to the extent provided in the Board resolution, except that no Special Advisory Committee may do the following:

- (a) Fix compensation of the Directors for serving on the Board of the corporation or on any Special Advisory Committee;
- (b) Amend or repeal Bylaws or adopt new Bylaws;
- (c) Amend or repeal any resolution of the Board that by its express terms is not so amendable or repealable;
- (d) Create any other Special Advisory Committees of the board or appoint the members of Special Advisory Committees of the board;

(e) Expend corporate funds to support a nominee for Director if more people have been nominated for Director than can be elected; or

(f) Approve any contract or transaction to which the corporation is a party and in which one or more of its Directors has a material financial interest, except as special approval is provided by the applicable provisions of the California Nonprofit Public Benefit Corporation Law.

**Section 2. SPECIAL ADVISORY COMMITTEE MEETINGS.** Meetings and actions of Special Advisory Committees of the Board shall be governed by, held, and taken under the provisions of these Bylaws concerning meetings and other Board actions, except that the time for regular meetings of such Special Advisory Committees and the calling of special meetings of such Special Advisory Committees may be set either by Board resolution or, if none, by resolution of the Special Advisory Committee. Minutes of each meeting shall be kept and shall be filed with the corporate records. The Board may adopt rules for the governance of any Special Advisory Committee as long as the rules are consistent with these Bylaws. If the Board has not adopted rules, the Special Advisory Committee may do so.

**Section 3. SPECIAL ADVISORY BOARDS.** The Board of Directors may establish one or more Special Advisory Boards, which shall consist of representatives from the business community, the philanthropic community, the academic community, community groups or such other individuals as shall be determined by the Board of Directors and may include Directors.

## ARTICLE VII.

### CORPORATE RECORDS AND REPORTS INSPECTION

**Section 1. INSPECTION OF CORPORATE RECORDS.** Each Director shall have the absolute right at any reasonable time to inspect the corporation's books, records, documents of every kind, physical properties, and the records of each subsidiary. The inspection may be made in person or by the Director's agent or attorney. The right of inspection includes the right to copy and make extracts of documents.

**Section 2. ANNUAL REPORT.** The Board shall cause an annual report to be sent to the Directors within one hundred twenty (120) days after the end of the corporation's fiscal year. That report shall contain the following information, in appropriate detail:

(a) The assets and liabilities, including the trust funds, of the corporation as of the end of the fiscal year;

(b) The principal changes in assets and liabilities, including trust funds;

(c) The corporation's revenue or receipts, both unrestricted and restricted to particular purposes;

- (d) The corporation's expenses or disbursements for both general and restricted purposes;
- (e) Any information required by Section 3 of this Article; and
- (f) An independent accountants' report or, if none, the certificate of an authorized officer of the corporation that such statements were prepared without audit from the corporation's books and records.

**Section 3. STATEMENT OF TRANSACTIONS.** As part of the annual report or as a separate document if no annual report is issued, the corporation shall, within one hundred twenty (120) days after the end of the corporation's fiscal year, annually prepare and mail, deliver or otherwise furnish to each Director a statement of transactions between the corporation and "interested parties" and a statement of indemnifications as required by Corporations Code Section 6322.

## ARTICLE VIII.

### INDEMNIFICATION

**Section 1. INDEMNIFICATION IN ACTIONS BY THIRD PARTIES.** To the fullest extent permitted by law, this corporation shall indemnify its Directors, officers, employees, and other persons described in Corporations Code Section 5238(a), including persons formerly occupying any such positions, against all expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that section, and including an action by or in the right of the corporation, by reason of the fact that the person is or was a person described in that section. "Expenses," as used in this bylaw, shall have the same meaning as in that section of the Corporations Code.

**Section 2. INDEMNIFICATION IN ACTIONS BY OR IN THE RIGHT OF THE CORPORATION.** On written request to the Board by any person seeking indemnification under Corporations Code Section 5238(b) or Section 5238(c), the board shall promptly decide under Corporations Code Section 5238(e) whether the applicable standard of conduct set forth in Corporations Code Section 5238(b) or Section 5238(c) has been met and, if so, the board shall authorize indemnification.

**Section 3. ADVANCE OF EXPENSES.** To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under Sections 1 and 2 of this Article of these Bylaws in defending any proceeding covered by those Sections shall be advanced by the corporation before final disposition of the proceeding, on receipt by the corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately found that the person is entitled to be indemnified by the corporation for those expenses.:

**Section 4. INSURANCE.** The corporation shall have the power to purchase and maintain insurance on behalf of any agent of the corporation against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such whether or

not the corporation would have the power to indemnify the agent against such liability under the provisions of this Article; provided, however, that the corporation shall have no power to purchase and maintain such insurance to indemnify any agent of the corporation for a violation of Corporations Code Section 5233.

#### ARTICLE IX.

##### CONSTRUCTION AND DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction and definitions in the California Nonprofit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both the corporation and a natural person.

#### ARTICLE X.

##### AMENDMENTS TO BYLAWS AND ARTICLES

These Bylaws may be adopted, amended or repealed by a vote of not less than two-thirds (2/3) of the authorized Directors. Any amendment of the Articles of Incorporation shall be by a vote of not less than two-thirds of the authorized Directors.

**CERTIFICATE OF SECRETARY**

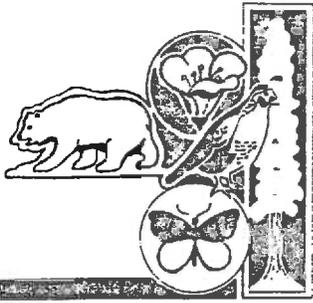
I, the undersigned, certify that I am the duly elected and acting Secretary of P.A.T.H., a California Nonprofit Public Benefit Corporation, and the foregoing First Amended and Restated Bylaws consisting of thirteen (13) pages are the Bylaws of this Corporation as adopted by the Board of Directors on April 14, 2011 and approved by the Member on April 14, 2011.

*Joan P. Vollmer*  

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*Secretary*

Secretary



State  
of  
California  
OFFICE OF THE SECRETARY OF STATE

I, *MARCH FONG EU*, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute  
this certificate and affix the Great  
Seal of the State of California this

OCT 29 1984



*March Fong Eu*

Secretary of State

ENDORSED  
FILEDIn the office of the Secretary of State  
of the State of California

OCT 19 1984

MARCH FONG EU, Secretary of State

Leslie Glenn  
Deputy

## ARTICLES OF INCORPORATION

OF

P.A.T.H.

## I.

The name of this corporation is:

P.A.T.H.

## II.

A. This corporation is a non-profit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for charitable purposes.

B. The specific purpose of this corporation is to provide shelter services and/or financial and supportive services for shelters for homeless families and adults.

## III.

The name and address in the State of California of this corporation's initial agent for service of process is

Terry Ford  
5655 Lindero Canyon Road  
Suite 403  
Westlake Village, CA 91362

#### IV.

A. This corporation is organized and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.

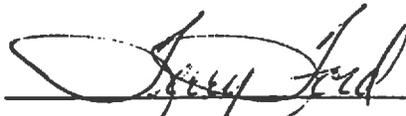
B. No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidate for public office.

#### V.

The property of this corporation is irrevocable dedicated to charitable purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any Director, Officer or member thereof, or to the benefit of any private person. Upon the dissolution or winding up of the corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to a non-profit fund, foundation or corporation which is organized and

operated exclusively for charitable purposes and which has established its tax exempt status under Section 501(c) (3) of the Internal Revenue Code.

DATED: July 5, 1984

  
\_\_\_\_\_  
(Signature of Incorporator)  
TERRY FORD

I hereby declare that I am the person who executed the foregoing Articles of Incorporation, which execution is my act and deed.

  
\_\_\_\_\_  
TERRY FORD

# State of California

SECRETARY OF STATE

## CERTIFICATE OF STATUS DOMESTIC CORPORATION

I, **BILL JONES**, Secretary of State of the State of California, hereby certify:

That on the 19TH day of OCTOBER, 1994,  
P.A.T.H.

*became incorporated under the laws of the State of California by filing its Articles of Incorporation in this office; and*

*That no record exists in this office of a certificate of dissolution of said corporation nor of a court order declaring dissolution thereof, nor of a merger or consolidation which terminated its existence; and*

*That said corporation's corporate powers, rights and privileges are not suspended on the records of this office; and*

*That according to the records of this office, the said corporation is authorized to exercise all its corporate powers, rights and privileges and is in good legal standing in the State of California; and*

*That no information is available in this office on the financial condition, business activity or practices of this corporation.*

IN WITNESS WHEREOF, I execute this  
certificate and affix the Great Seal  
of the State of California this  
22ND day of APRIL, 1996



*Bill Jones*  
BILL JONES  
Secretary of State



# State of California

Bill Jones  
Secretary of State

P.O. Box 944230  
Sacramento, CA 94244-2300  
Phone: (916) 657-3537

## STATEMENT BY DOMESTIC NONPROFIT CORPORATION

THIS STATEMENT MUST BE FILED WITH  
CALIFORNIA SECRETARY OF STATE (SECTIONS 6210, 8210, 9660 CORPORATIONS CODE)

THE \$10 FILING FEE MUST ACCOMPANY THIS STATEMENT.

1. C1260256 PB DUE DATE 10-31-96 09291N  
P.A.T.H.  
2346 COTNER AVE  
LOS ANGELES, CA 90064

DO NOT ALTER PREPRINTED NAME. IF ITEM 1 IS BLANK, PLEASE ENTER CORPORATE NAME

DO NOT WRITE IN THIS SPACE

PLEASE READ INSTRUCTIONS ON BACK OF FORM.

PLEASE TYPE OR USE BLACK INK WHICH WOULD BE SUITABLE FOR MICROFILMING.

THE CALIFORNIA CORPORATION NAMED HEREIN, MAKES THE FOLLOWING STATEMENT

2. STREET ADDRESS OF PRINCIPAL OFFICE (IF NONE, COMPLETE 3-3B) <b>2346 Cotner Avenue</b> <small>(DO NOT USE P.O. BOX NO.)</small>	SUITE OR ROOM	2A. <b>Los Angeles CA</b> <small>CITY AND STATE</small>	2B. <b>90064</b> <small>ZIP CODE</small>
3. MAILING ADDRESS <b>same</b>	SUITE OR ROOM	3A. <b>Los Angeles CA</b> <small>CITY AND STATE</small>	3B. <b>90064</b> <small>ZIP CODE</small>

### THE NAMES OF THE FOLLOWING OFFICERS ARE:

4. CHIEF EXECUTIVE OFFICER <b>Joel John Roberts</b> <small>Director</small>	4A. STREET ADDRESS (SEE REVERSE SIDE) <b>2346 Cotner Avenue</b>	4B. CITY AND STATE <b>Los Angeles CA</b>	4C. ZIP CODE <b>90064</b>
5. SECRETARY <b>Eva Vollmer</b>	5A. STREET ADDRESS (SEE REVERSE SIDE) <b>2346 Cotner Avenue</b>	5B. CITY AND STATE <b>Los Angeles CA</b>	5C. ZIP CODE <b>90064</b>
6. CHIEF FINANCIAL OFFICER <b>Ron Fox, Chairperson</b>	6A. STREET ADDRESS (SEE REVERSE SIDE) <b>2346 Cotner Avenue</b>	6B. CITY AND STATE <b>Los Angeles CA</b>	6C. ZIP CODE <b>90064</b>

### DESIGNATED AGENT FOR SERVICE OF PROCESS

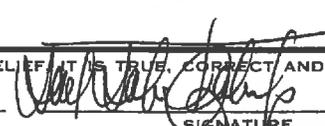
(ONE AGENT IS REQUIRED BY CALIFORNIA STATUTORY PROVISION.  
PLEASE READ ITEMS 7 AND 8 ON REVERSE SIDE OF FORM.)

7. NAME <b>Joel John Roberts</b>
8. CALIFORNIA STREET ADDRESS IF AGENT IS AN INDIVIDUAL (DO NOT USE P.O. BOX) DO NOT INCLUDE ADDRESS IF AGENT IS A CORPORATION <b>2346 Cotner Avenue Los Angeles CA 90064</b>

### COMMON INTEREST DEVELOPMENT ASSOCIATION SECTION 1350, ET SEQ., CIVIL CODE

9. <input checked="" type="checkbox"/> THIS CORPORATION IS NOT AN ASSOCIATION FORMED TO MANAGE A COMMON INTEREST DEVELOPMENT (IF THIS BOX IS CHECKED, PROCEED TO NUMBER 11.)
10. <input type="checkbox"/> THIS CORPORATION IS AN ASSOCIATION FORMED TO MANAGE A COMMON INTEREST DEVELOPMENT UNDER THE DAVIS-STIRLING COMMON INTEREST DEVELOPMENT ACT. (IF THIS BOX IS CHECKED, COMPLETE 10A AND 10B.)
10A. BUSINESS OR CORPORATE OFFICE
10B. NAME AND ADDRESS OF THE MANAGING AGENT

11. I DECLARE THAT I HAVE EXAMINED THIS STATEMENT AND TO THE BEST OF MY KNOWLEDGE AND BELIEF IT IS TRUE, CORRECT AND COMPLETE.

**9-6-96** DATE      **Executive Director** TITLE      **Joel John Roberts** TYPE OR PRINT NAME OF SIGNING OFFICER OR AGENT       SIGNATURE

INTERNAL REVENUE SERVICE  
District Director

Department of the Treasury

c/o McCaslin Industrial Park  
2 Cupania Circle  
Monterey Park, CA 91754  
Attn:EOG-2

Date: FEB 28 1990

P A T H  
10497 Wilshire Boulevard  
Los Angeles, CA 90024

Our Letter Dated:  
February 7, 1985  
Contact Person:  
George Lopez  
Contact Telephone Number:  
(213)725-6619  
Caveat Applies:  
No

Dear Applicant:

This modifies our letter of the above date in which we stated that you would be treated as an organization which is not a private foundation until the expiration of your advance ruling period.

Based on the information you submitted, we have determined that you are not a private foundation within the meaning of section 509(a) of the Internal Revenue Code, because you are an organization of the type described in section 170(b)(1)(A)(vi) and 509(a)(1).

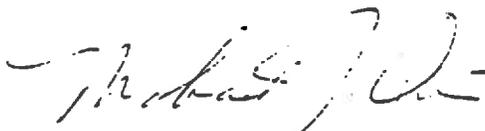
Your exempt status as an organization described in section 501(c)(3) of the Internal Revenue Code is still in effect.

Grantors and contributors may rely on this determination until the Internal Revenue Service publishes notice to the contrary. However, a grantor or a contributor may not rely on this determination if he or she was in part responsible for, or aware of, the act or failure to act that resulted in your loss of section 509(a)(1) status, or acquired knowledge that the Internal Revenue Service had given notice that you would be removed from classification as a section 509(a)(1) organization.

Because this letter could help resolve any questions about your private foundation status, please keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,



Michael J. Quinn  
District Director

INTERNAL REVENUE SERVICE  
District Director

Department of the Treasury

c/o McCaslin Industrial Park  
2 Cupania Circle  
Monterey Park, CA 91754  
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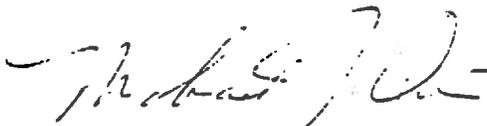
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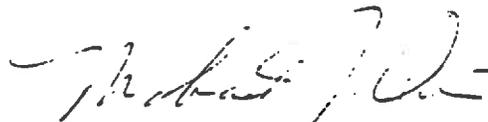
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Sincerely yours,



Michael J. Quinn  
District Director

**Casa Esperanza Homeless Shelter  
Bugdet 2014-15 and Preliminary Budget 2015-16**

		Approved Budget 2014-15 - Adjusted	Preliminary Budget 2015-16	
<b>Income</b>				
<b>4000 · RESTRICTED REVENUE</b>				
	4055 · COTTAGE HEALTH SYSTEM	\$ 121,000	\$ 200,000	
	4060B · SB Found Thrive (City Program)	\$ 19,640	\$ -	
	4065 · ST. FRANCIS FOUNDATION	\$ 150,000	\$ 100,000	
	4085 · FOUNDATION INCOME - GILDEA	\$ 75,000	\$ 75,000	
	4050 · FOUNDATIONS-Other	\$ 250,000	\$ 250,000	
	<b>Total 4050 · FOUNDATIONS-Restrct'd</b>	<b>\$ 615,640</b>	<b>\$ 625,000</b>	
	4265A · City SB CDBG	\$ 51,000	\$ 51,000	
	4267A · City SB Human Svc Comm	\$ 39,000	\$ 39,000	
	4270 · CITY OF SB - CDD (WINTER SHLTR)	\$ 77,100	\$ 79,500	
	<b>CITY - REQUESTED ADDITIONAL FUNDS</b>	<b>\$ 125,000</b>	<b>\$ 125,000</b>	
	<b>Total 4260 · CITY OF SB</b>	<b>\$ 292,100</b>	<b>\$ 294,500</b>	
	4315 · CO of SB-Probation	\$ 60,000	\$ 60,000	
	4285A · Co SB ADMH Night Shltr BL02033	\$ 66,000	\$ 66,000	
	4285C · Co SB ADMH Mntl Hlth Wk	\$ 61,200	\$ 63,036	
	4288A · Co SB CSD Emer Svc Grnt	\$ 110,700	\$ 114,000	
	4296A · Co SB HCD Emer Shltr	\$ 20,000	\$ -	
	NOFA-Mini Grant	\$ -	\$ -	
	NOFA-Basic Services Grant	\$ -	\$ -	
	NOFA-Best Practices-Employment	\$ -	\$ 80,000	
	NOFA-Basic Needs-Operations	\$ -	\$ -	
	4296D · Co SB HCD Emer Sv Util	\$ 11,190	\$ -	
	4296E · Co SB HCD Rapid Rehousing	\$ 11,190	\$ -	
	4305A · Co SB Pub Hlth Substance Abuse CN15428	\$ 15,000	\$ -	
	Additional program funding based on Actual Costs *		\$ 180,000	
	<b>COUNTY - REQUESTED ADDITIONAL FUNDS</b>	<b>\$ 120,000</b>	<b>\$ 120,000</b>	
	<b>Total 4280 · COUNTY OF SB</b>	<b>\$ 475,280</b>	<b>\$ 683,036</b>	
	<b>Total 4250 · GOVERNMENT-Restr'd</b>	<b>\$ 767,380</b>	<b>\$ 977,536</b>	
	<b>Total 4000 · RESTRICTED REVENUE</b>	<b>\$ 1,383,020</b>	<b>\$ 1,602,536</b>	
	<b>Total 4355 · CONTRIBUTIONS</b>	<b>\$ 449,500</b>	<b>\$ 378,000</b>	
	<b>Total Income</b>	<b>\$ 1,832,520</b>	<b>\$ 1,980,536</b>	
	<b>*NOTE: 2015-16 Underfunding Revenue Opportunities</b>			
	ADMHS			\$ 170,000
	Probation			\$ 50,000
	DSS			\$ 22,000
	Shelter Operations Grant			\$ 50,000

**Casa Esperanza Homeless Shelter  
Budget 2014-15 and Preliminary Budget 2015-16**

	Approved Budget 2014-15 - Adjusted	Preliminary Budget 2015-16
<b>Expense</b>		
5050 · AUTOMOBILE	\$ 6,386	\$ 6,578
5100 · BANK CHARGES	\$ 1,059	\$ 1,091
5110 · BUS TOKENS	\$ 4,933	\$ 5,081
Total 5120 · CLIENT EXPENSES	\$ 20,674	\$ 12,000
5155 · COMPUTER EXPENSE	\$ 5,262	\$ 6,500
5180 · DEPREC. EXPENSE	\$ 139,012	\$ 138,000
Total 5200 · EMPLOYEE BENEFITS	\$ 232,663	\$ 298,575
5275 · EQUIPMENT RENTAL	\$ 4,331	\$ 4,500
5300 · FOOD EXPENSE	\$ 22,284	\$ 25,000
Grant Writing	\$ 9,000	\$ 11,000
5330 · DIRECTOR'S & OFFICERS INSURANCE	\$ 70,000	\$ 70,000
5335 · FLOOD INSURANCE	\$ 7,000	\$ 7,200
5340 · LIABILITY INSURANCE	\$ 32,000	\$ 27,000
Total 5325 · INSURANCE EXPENSE	\$ 109,000	\$ 104,200
5350 · INTEREST EXPENSE	\$ 130,247	\$ 92,000
5375 · LICENSES & PERMITS	\$ 1,500	\$ 2,000
5425 · MISC. & LEGAL EXPENSE	\$ 100,700	\$ 30,500
5450 · OFFICE EXPENSE	\$ 4,436	\$ 5,000
5500 · PAYROLL EXPENSE	\$ 773,416	\$ 935,469
5520 · PEST CONTROL	\$ 3,000	\$ 5,000
5525 · POSTAGE EXPENSE	\$ 6,415	\$ 15,000
5550 · PRINTING EXPENSE	\$ 24,673	\$ 25,000
5575 · ACCOUNTING	\$ 2,500	\$ -
5580 · AUDIT EXPENSE	\$ 18,500	\$ 19,000
Total 5570 · PROFESSIONAL FEES	\$ 21,000	\$ 19,000
Total 5640 · RENT EXPENSE	\$ 1,300	\$ 1,339
5675 · REPAIRS & MAINTENANCE	\$ 25,000	\$ 50,000
5700 · SECURITY EXPENSE	\$ 2,800	\$ 1,000
5705 · SMALL EQUIPMENT	\$ 250	\$ 250
5715 · STAFF EDUCATION	\$ 2,100	\$ 9,000
5725 · SUPPLIES	\$ 52,667	\$ 53,000
5750 · TAXES	\$ 225	\$ 232
5760 · TELEPHONE	\$ 23,665	\$ 24,375
5770 · UTILITIES	\$ 103,000	\$ 98,000
<b>Total Expense</b>	<b>\$ 1,832,498</b>	<b>\$ 1,980,234</b>
<b>Net Operating Income</b>	<b>\$ 22</b>	<b>\$ 302</b>

<b>Grantor</b>	<b>Grant Name</b>	<b>FY 14-15 Number</b>	<b>Contract Period</b>	<b>Grant Total</b>
<b>City of SB</b>				

CDBG	Federal Community Development Block Grant	24,758	7/1/14-6/30/15	51,000
Human Services	Housing Program	24,757	7/1/14-6/30/15	39,000
City of SB	General Fund	24,952	12/1/14-3/31/15	202,100

# CASA DEED RESTRICTIONS

RECORDING REQUESTED BY  
CHICAGO TITLE



1999-0064812

When Recorded Mail to:

City of Santa Barbara  
Community Development Dept.  
Attn: Housing Programs  
P.O. Box 1990  
Santa Barbara, CA 93102-1990 )

✓

No fee per Govt.

Recorded  
Official Records  
County Of  
SANTA BARBARA  
KENNETH A. PETTIT  
Recorder  
CLARRY B. HERRERA  
Assistant  
04:30PM 17-Aug-1999

REC FEE .00  
CC1 CON 1.00

NLM  
Page 1 of 12

Address: 816 CACIQUE STREET

A.P.N.: 17-240-21

## RESTRICTED USE COVENANT IMPOSED ON REAL PROPERTY FOR THE OPERATION OF A HOMELESS SHELTER AND RELATED SERVICES

This Restricted Use Covenant Imposed on Real Property for the Operation of a Homeless Shelter and Related Services ("Covenant"), is made for the benefit of the COUNTY OF SANTA BARBARA ("County"), THE CITY OF SANTA BARBARA ("City") and THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA, ("Agency"), by THE COALITION TO PROVIDE SHELTER & SUPPORT TO SANTA BARBARA HOMELESS, a California public benefit corporation ("Owner"), as of this 17 day of August, 1999.

This covenant applies to the Owner's interest and Owner's successors' interest in the improved real property commonly known as 816 Cacique Street, Santa Barbara, California ("Real Property"), consisting of land improved with a structure to be used for a homeless shelter and related services; the land portion of the Real Property is more fully described in Exhibit A attached and incorporated by this reference herein.

### RECITALS

WHEREAS, Owner is a not-for-profit corporation with the purpose of assisting homeless persons in Santa Barbara by providing a homeless shelter and related services for homeless persons; and

WHEREAS, Owner has obtained below market rate financing from the County and City and Agency, as evidenced by the Loan Agreements and Deed of Trust dated August 11, 1999, to be used by Owner to acquire, rehabilitate and convert the Real Property to a homeless shelter; and

WHEREAS, this financing has substantially benefited Owner and is essential to the financial feasibility of the project; and

WHEREAS, the County and City and Agency desires to promote affordable low and moderate income housing that will benefit the County, the City and the Central City Redevelopment Project Area; and

WHEREAS, a condition of the financing is that the Real Property be used only for a homeless shelter and related services; and

WHEREAS, Owner now wishes to assure implementation of such use restrictions.

NOW THEREFORE, in consideration of the benefits conferred on the Real Property by the financing provided by the County, and City and Agency, Owner hereby covenants and agrees with the County and City and Agency to record this Declaration and impose the following covenants, conditions, restrictions and limitations upon the possession, use and enjoyment of the Real Property. Owner and County and City and Agency agree as follows:

#### A. PROGRAM CONDITIONS

For a period of SIXTY (60) YEARS from the date of this Covenant, the Real Property shall be owned and operated only by a not-for-profit organization organized under section 501(c)(3) of the Internal Revenue Code which has the provision of shelter and services for homeless persons as its sole corporate purpose. The Real Property shall be used solely for the purpose of a homeless shelter and related services, as described in the Program Description attached as Exhibit B. Any changes to the Program Description shall be first approved in writing by the City's Housing and Redevelopment Manager and the County Administrator. No fee may be charged for any shelter or service provided on the Real Property unless the amount and purpose of the fee is first approved in writing by the City's Housing and Redevelopment Manager and the County Administrator.

#### B. OPERATOR

Owner shall manage the shelter and provide the services described in Section A above through an entity or organization ("Operator") approved by and acceptable to the County, City and Agency. At the time of the execution of this Covenant, St. Vincent de Paul, with its home office located at 210 N. Avenue 21, Los Angeles, CA 90031-1792, is expected to be the initial Operator, and is hereby approved by the County and City and Agency. Owner and Operator shall enter a written agreement which sets forth the duties and responsibilities of the parties, and the County and City and Agency shall be provided with a copy and shall have the right to approve the terms of such agreement.

#### C. REPORTING REQUIREMENTS

1. Owner shall provide a Report to the County, City and Agency each year by the first day of July. This report shall include Owner's statement that Owner has complied with all provisions of this Covenant, and includes Owner's explanation of any violation of any provision of this Covenant.
2. Failure to submit the reports required under this section within thirty days of the specified date shall constitute a default under this Covenant.
3. During the term of this Agreement, Owner will keep complete accounting, financial and

required Internal Revenue Service records related to Owner, the Real Property, and the emergency shelter and homeless services facility, in accordance with generally accepted accounting principles. All financial records will be made available to County and City and Agency at any time during regular working hours at the request of County or City or Agency.

4. In lieu of all or some of the above reports, the Executive Director may accept certified copies of reports filed with the U.S. Internal Revenue Service containing similar information.

#### D. DEFAULTS AND REMEDIES

1. It is understood and agreed between the parties that the obligations of all parties under this Covenant are unique, and furtherance of important public policies encouraging development of shelters and services for homeless low-income persons and families, and that in case of a breach or default, it would be extremely difficult or impossible to compensate for the breach or default in money. Consequently, both parties agree that their obligations hereunder may be specifically enforced by any court having jurisdiction, in addition to any and all other remedies at law or in equity that may be available to them.

2. Upon becoming aware of any violation of the terms of this Covenant, either the County or City or Agency may declare a default under this Covenant. Upon the declaration of a default, the County or City or Agency may apply to a court of competent jurisdiction for specific performance of the Covenant, for an injunction prohibiting the violation of this Covenant, or for any such other relief as may be appropriate.

3. Owner acknowledges that occupancy or use of the Real Property in violation of this Covenant is prohibited. In consideration of the benefits conferred on Owner and the Real Property by the County and City and Agency's financing, Owner hereby assigns to the County and City and Agency the right to receive the rents due or collected from the Real Property used or occupied in violation for the terms of this Covenant, during the entire period of the violation. Any rents collected by the County or City or Agency shall be used to reimburse the County and City and Agency for their reasonable costs incurred in enforcing this Covenant, and any remaining funds shall be divided as follows: 50% to the County, 20% to the City, and 30% to the Agency (in proportion to their financing on the Property).

#### E. ADDITIONAL PROVISIONS

1. This Covenant shall be binding upon the successors and assigns of the Owner and the heirs, personal representatives, grantees, lessees, sublessees, and contract purchasers, and assignees of owner and any subsequent owner of the Real Property, for a period of SIXTY (60) YEARS from the date of this Covenant.

2. Owner hereby declares that the Real Property is held and hereafter shall be held, conveyed, hypothecated, encumbered, leased, rented, used and occupied subject to these covenants, conditions, restrictions and limitations. All of the above-stated covenants, conditions, restrictions and limitations are intended to constitute both equitable servitudes and covenants running with the land.

3. Owner shall not voluntarily convey the Real Property to any entity other than a not-for-profit corporation, organized under section 501(c)(3) of the Internal Revenue Code, which has as its sole stated corporate purpose the provision of an emergency shelter and center for related services for homeless persons.

4. Any purchaser of the Real Property, by the acceptance of a deed therefore, whether from Owner or from any subsequent owner of the Real Property, or by the signing of a contract or agreement to purchase the same, shall, by the acceptance of such deed or by the signing of such contract or agreement be deemed to have consented to and accepted the covenants, conditions, restrictions and limitations set forth herein.

5. The Owner covenants that he or she has not and will not execute any other agreement or covenant with provisions contradictory to or in opposition to the provisions hereof and that in any event this Covenant is controlling as to the rights and obligations between and among the Owner, the County and City and Agency, and their respective successors.

6. If any one or more of the provisions contained in this Covenant shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Covenant and this covenant shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

7. The terms of this Covenant shall be interpreted under the laws of the State of California.

8. Whenever any notice is permitted or required by this Covenant, such notice shall be deemed to have been given and received when personally delivered, or three (3) days after it is mailed if mailed by United States mail, certified, return receipt requested, to the parties at the addresses listed below or such other addresses as the parties hereafter designate in writing:

To Owner: Coalition to Provide Shelter & Support  
to Santa Barbara Homeless  
c/o Hatch & Parent  
21 E. Carrillo  
Santa Barbara, CA 93101

To County: County Administrator  
Office of the County Administrator  
105 East Anapamu Street, Rm. 406  
Santa Barbara, CA 93101

To City: Housing and Redevelopment Manager  
Community Development Department  
630 Garden Street  
Santa Barbara, CA 93101

To Agency: Redevelopment Agency of the City of Santa Barbara  
Post Office Box 1990  
Santa Barbara, CA 93102  
Attn: Executive Director

With a copy to: Agency Counsel to the Redevelopment Agency  
City of Santa Barbara  
Post Office Box 1990  
Santa Barbara, CA 93102

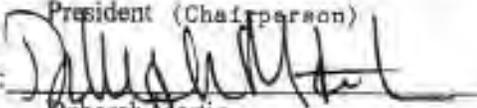
IN WITNESS WHEREOF, the Parties have executed this Covenant as of the date first written above.

"OWNER"

COALITION TO PROVIDE SHELTER & SUPPORT TO  
SANTA BARBARA HOMELESS  
a nonprofit public benefit corporation

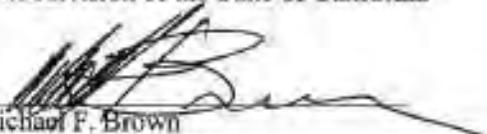
BY:   
Sue Adams

President (Chairperson)

BY:   
Deborah Martin  
Secretary

"COUNTY"

THE COUNTY OF SANTA BARBARA,  
a political subdivision of the State of California

BY:   
Michael F. Brown  
County Administrator

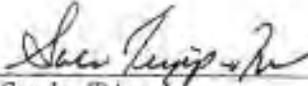
APPROVED AS TO FORM:

STEPHEN SHANE STARK  
COUNTY COUNSEL

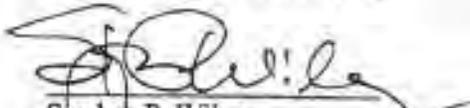
BY:   
Deputy County Counsel

"CITY"

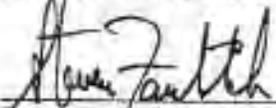
THE CITY OF SANTA BARBARA,  
a body politic

BY:   
Sandra Tripp-Jones  
City Administrator

APPROVED AS TO FORM:

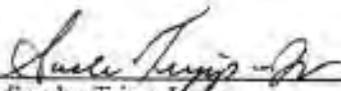
  
Stephen P. Wiley  
Assistant City Attorney

APPROVED AS TO CONTENT:

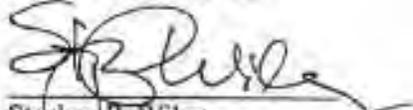
  
Steven Faulstich  
Housing Programs Supervisor

"AGENCY:"

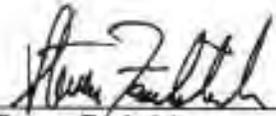
THE REDEVELOPMENT AGENCY OF  
THE CITY OF SANTA BARBARA,  
a body politic

BY:   
Sandra Tripp-Jones  
Executive Director

APPROVED AS TO FORM:  
AGENCY COUNSEL

  
Stephen P. Wiley  
Assistant Agency Counsel

APPROVED AS TO CONTENT:

  
Steven Faulstich  
Housing Programs Supervisor