

LAMP, INC.
dba LAMP COMMUNITY

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

LAMP, INC. dba LAMP COMMUNITY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
LAMP, Inc. dba Lamp Community

Report on the Financial Statements

We have audited the accompanying financial statements of LAMP, Inc. dba Lamp Community (a nonprofit organization) (Lamp), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lamp 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.

To the Board of Directors
LAMP, Inc. dba Lamp Community

Other Matters - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal and Nonfederal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2015, on our consideration of Lamp's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lamp's internal control over financial reporting and compliance.

Green Hasson & Janks LLP

March 30, 2015
Los Angeles, California

LAMP, INC. dba LAMP COMMUNITY

STATEMENT OF FINANCIAL POSITION
June 30, 2014

ASSETS

Cash and Cash Equivalents	\$	369,631
Restricted Cash - Held for Members		166,263
Accounts and Other Receivables (Net)		1,007,662
Contributions and Pledges Receivable		70,000
Prepaid Expenses and Other Assets		113,377
Property and Equipment (Net)		<u>5,653,619</u>
TOTAL ASSETS	\$	<u>7,380,552</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts Payable	\$	574,832
Accrued Liabilities		168,652
Funds Held on Behalf of Members		166,263
Refundable Advances		189,725
Line of Credit		376,607
Notes Payable		<u>1,250,000</u>
TOTAL LIABILITIES		2,726,079

NET ASSETS:

Unrestricted - Undesignated		4,584,473
Temporarily Restricted		<u>70,000</u>
TOTAL NET ASSETS		<u>4,654,473</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>7,380,552</u>

The Accompanying Notes are an Integral Part of These Financial Statements

LAMP, INC. dba LAMP COMMUNITY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:			
Contracts and Grants	\$ 5,757,766	\$ -	\$ 5,757,766
Contributions	746,225	662,500	1,408,725
Apartment Rental Income	130,745	-	130,745
Other Income	84,378	-	84,378
Special Events	71,521	-	71,521
In-Kind Contributions	66,185	-	66,185
Business Revenue	62,348	-	62,348
Releases from Purpose Restrictions	726,250	(726,250)	-
TOTAL REVENUE AND SUPPORT	7,645,418	(63,750)	7,581,668
EXPENSES:			
Program Services	5,941,133	-	5,941,133
Fundraising	302,605	-	302,605
Management and General	1,105,148	-	1,105,148
TOTAL EXPENSES	7,348,886	-	7,348,886
CHANGE IN NET ASSETS	296,532	(63,750)	232,782
Net Assets - Beginning of Year	4,287,941	133,750	4,421,691
NET ASSETS - END OF YEAR	\$ 4,584,473	\$ 70,000	\$ 4,654,473

The Accompanying Notes are an Integral Part of These Financial Statements

LAMP, INC. dba LAMP COMMUNITY

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014

	Program Services	Support Services		Total
		Fundraising	Management and General	
Salaries and Member Stipends	\$ 2,784,216	\$ 159,696	\$ 752,044	\$ 3,695,956
Payroll Taxes and Employee Benefits	793,264	18,233	104,761	916,258
TOTAL PERSONNEL COSTS	3,577,480	177,929	856,805	4,612,214
Equipment, Furniture and Fixtures	349,665	24,371	2,395	376,431
Professional Fees and Outside Services	209,366	44,764	45,302	299,432
Depreciation	240,762	10,992	29,315	281,069
Security	264,067	-	-	264,067
Member-Related Expenses	174,689	285	2	174,976
Utilities	164,014	1,090	5,383	170,487
Reimbursable Leasehold Improvements	160,229	-	-	160,229
Repairs and Maintenance	157,528	141	1,386	159,055
Food and Kitchen Supplies	151,233	94	136	151,463
Transportation	86,026	2,633	19,801	108,460
Computer Maintenance	81,373	885	16,351	98,609
Rent	84,000	-	-	84,000
Telephone and Internet	53,377	4,218	19,704	77,299
Program and Office Supplies	50,022	18,603	8,438	77,063
Staff Training and Development	28,686	3,196	28,785	60,667
Insurance	35,377	221	12,339	47,937
Dues and Subscriptions	36,210	1,810	6,529	44,549
Bad Debt Expense	12,038	-	16,584	28,622
Bank and Credit Card Fees	40	1,382	25,559	26,981
Miscellaneous	4,088	8,967	7,610	20,665
Taxes and Licenses	11,074	25	1,171	12,270
Recruitment	7,199	999	1,553	9,751
Shower and Laundry Supplies	2,590	-	-	2,590
TOTAL FUNCTIONAL EXPENSES	\$ 5,941,133	\$ 302,605	\$ 1,105,148	\$ 7,348,886
	81%	4%	15%	100%

The Accompanying Notes are an Integral Part of These Financial Statements

LAMP, INC. dba LAMP COMMUNITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$	232,782
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation		281,069
Bad Debt Expense		28,622
(Increase) Decrease in:		
Restricted Cash - Held for Members		(17,185)
Accounts and Other Receivables		(558,390)
Contributions and Pledges Receivable		(11,250)
Prepaid Expenses and Other Assets		(57,050)
Increase (Decrease) in:		
Accounts Payable		425,617
Accrued Liabilities		15,862
Funds Held on Behalf of Members		17,185
Refundable Advances		(6,439)

***NET CASH PROVIDED BY OPERATING
ACTIVITIES***

\$ 350,823

CASH FLOWS USED IN INVESTING ACTIVITIES:

Purchase of Property and Equipment	(1,090,783)
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CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from Line of Credit	376,607
Proceeds from Note Payable	250,000

***NET CASH PROVIDED BY FINANCING
ACTIVITIES***

626,607

***NET DECREASE IN CASH AND CASH
EQUIVALENTS***

(113,353)

Cash and Cash Equivalents - Beginning of Year

482,984

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 369,631

**SUPPLEMENTAL DISCLOSURE OF
CASH FLOW INFORMATION:**

Cash Paid During the Year for Interest	\$	6,192
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The Accompanying Notes are an Integral Part of These Financial Statements

LAMP, INC. dba LAMP COMMUNITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - NATURE OF ORGANIZATION

What sets LAMP, Inc. dba Lamp Community (Lamp) apart from other service providers in Los Angeles and Skid Row is its expertise in outreaching to those who have the most complex, high-barrier conditions contributing to their homelessness, including untreated, severe and persistent mental illness and physical disabilities including chronic disease. Programs are based on the "Housing First" model, which Lamp helped pioneer more than two decades ago and that is recognized as a best practice by the U.S. Department of Housing and Urban Development. Services are provided within a high-tolerance, harm-reduction framework, meaning there are no preconditions such as sobriety, religious participation or income. Members receive stable housing and are surrounded by services essential to maintain it, treat mental and physical illnesses and achieve self-sufficiency on their own terms. Lamp is one of the only homeless service providers serving the LGBT community on Skid Row.

Agency Mission

Lamp's mission is to end homelessness of Los Angeles' most vulnerable individuals - primarily adults living with mental illness - through a continuum of services and housing, enabling them to reach their highest level of self-sufficiency and community integration. Women and men who participate in one or more of Lamp's programs are called "members" rather than clients, highlighting a culture of inclusivity in a welcoming and caring community.

Agency at a Glance

Lamp Community was founded in 1985 as a small daytime drop-in center on San Julian Street in Skid Row for people living with mental illness experiencing homelessness. One of the first providers to offer permanent supportive housing in Los Angeles County, Lamp now operates more than 10 service sites throughout the area. All of the Lamp's programs and services are based on a foundation of responsiveness and flexibility: there is no one-size-fits-all approach and all of Lamp's programs are voluntary. During the year ended June 30, 2014, Lamp served more than 3,000 unique individuals and provided the following services:

- Permanent Supportive Housing (PSH) services to over 600 residents
- Intensive clinical services to more than 200 women and men, providing desperately needed mental health care
- Emergency and stabilization housing and services to over 750 individuals, including homeless individuals being discharged from inpatient care living with chronic or severe health conditions
- More than 20,000 showers, hygiene kits and towels to our neighbors in need
- Over 143,000 meals for shelter residents
- Money management, benefits advocacy and fine arts to more than 1,500 individuals

Lamp prioritizes securing stable housing for members and surrounds them with the essential services to help maintain it, treat mental and physical illnesses and disabilities, and achieve self-sufficiency on their own terms. In addition to the menu of services offered by Lamp, the agency also leverages job counseling services, alcohol and drug addiction recovery services, legal services and primary health care through community partnerships.

LAMP, INC. dba LAMP COMMUNITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - NATURE OF ORGANIZATION (continued)

Target Population

Lamp's services are targeted at those who are chronically homeless and/or highly vulnerable to dying on the streets, including unsheltered older adults, veterans, people living with HIV/AIDS or chronic disease, those living with mental and physical disabilities and those living with substance abuse disorders. Lamp staff engages hard-to-reach individuals through the delivery of intensive services ensuring that all who seek help obtain it. Lamp members average six years on the streets and 90% have no income and receive no government benefits when they arrive. All Lamp members live with mental illness or co-occurring disorders, ranging from diabetes to cancer or HIV/AIDS. Many struggle to overcome addictions to alcohol and drugs as well as personal trauma. Members are 64% male, 30% female and 6% transgender. Approximately 2% are between the ages of 18 and 25, 67% between 26 and 49 and 31% over 50. African Americans account for 69%, Caucasians for 18%, Latinos for 10% and other for 3%, while 11% identify as gay or lesbian.

Staff, Board and Volunteers

Lamp currently employs 108 full-time and 24 part-time staff members and the Board of Directors consists of 13 individuals.

Where Lamp Works

Lamp operates 8 facilities in Los Angeles and provides services at 5 additional permanent supportive housing buildings.

- **The Lamp Village:** The Lamp Village located at 526 San Pedro Street in Skid Row offers 98 year-round shelter beds, with 16 reserved for HIV positive members, 25 for women and 25 for individuals on probation under AB 109. Here, members access housing locator services, intensive case management and on-site primary healthcare. The Village also hosts a variety of agency-wide programs, including the Fine Arts and Music, Peer Advocacy and Money Management Programs as well as public showers and toilets and the only public Laundromat on Skid Row.
- **Lamp HAUS:** A new 25-bed emergency shelter located at 1920 West Third Street in MacArthur Park was opened in 2013 to serve indigent, homeless women and men receiving emergency medical care, referred by hospitals and Los Angeles County Health Services. It provides full-time nursing, case management and linkage to PSH.
- **Recuperative Care and Housing:** In late 2014, Lamp opened up a new recuperative shelter offering emergency housing in Compton for medically frail clients exiting hospitals and awaiting permanent supportive housing solutions.
- **The Frank Rice Access Center (FRAC):** The home of Lamp's outreach team and located at 627 San Julian Street, the FRAC offers emergency intervention programs to engage mentally ill individuals living on the streets. Here, members access public showers and toilets, PSH and other services, including shelter beds. At this site, Lamp also partners with JWCH Institute, Inc. to provide specialized beds to 18 adults living with HIV/AIDS.
- **Wellness Center Program:** Located at 619 East 5th Street, the Wellness Center is the only program of its type on Skid Row and serves more than 2,000 individuals annually. All outpatient mental health services were consolidated in one Medi-Cal certified site in 2012 to offer mental/physical healthcare, medication management, counseling, recovery and support groups.

LAMP, INC. dba LAMP COMMUNITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - NATURE OF ORGANIZATION (continued)

- **The Lamp Lodge:** Located at 660 Stanford Avenue in Skid Row, the site offers 49 units of Permanent Supportive Housing. Lamp Lodge provides on-site staff and programs and is dedicated to chronically homeless adults.
- **Los Angeles Nest:** Located at 325 South Los Angeles Street, just outside of Skid Row, this location houses Lamp's Harm Reduction program as well as the Residential Intensive Support Teams Program (RIST). RIST serves individuals residing in Permanent Supportive Housing throughout the city in a scattered site model.

Programs and services match members with the right services, at the right time. Many members engage with staff for months before trusting in the help they so desperately need. Ultimately, Lamp aims to help get members on the road to wellness and wellbeing, decreasing the amount of time they spend in hospitals, in the correctional system, and on the streets. Programs include:

- **Shower and Toilet Program:** More than 150 individuals are served daily with showers, hygiene kits and towels.
- **Veterans Program (VASH):** Through a partnership with the VA, Lamp provides housing placement, case management and clinical services to 125 homeless veterans over the course of the next five years.
- **Primary Care Services:** Chronic illness is an issue for all Lamp members. In addition to integrated nursing and psychiatric services, Lamp Village debuted a primary care clinic in August 2013, offering all Lamp members primary care services through an innovative partnership with L.A. Christian Health Centers.
- **Harm Reduction:** This includes emergency housing and PSH for those living with HIV/AIDS as well as outreach, support groups, testing, counseling, education programs, prevention kits and linkage to immediate no-cost medical care, reaching over 1,000 women and men annually.
- **Member Resources:** Created in 2013 to consolidate all member-related programs, this department now includes Money Management, Benefits and Peer Advocacy programs and reaches members agency-wide.
- **Fine Arts and Music Program:** Founded in 1999, this is one of Lamp's most innovative programs offering a low-barrier entrance to services. Offerings include photography, painting and drawing instruction, several weekly art studio sessions, gallery showings and a fully-equipped soundproof music studio.
- **Downtown Pathway Home (DPH):** This city-wide multi-agency initiative was launched in 2011 to end chronic and veteran homelessness in L.A. by mid-2015. As lead agency, Lamp is shifting service delivery, decreasing service duplication and ensuring housing placement efficiency. In 2013, a coordinated entry system (CES) pilot began in Skid Row, spearheaded by Lamp's DPH project, the United Way and Community Solutions. DPH continues to be Los Angeles' lead CES agency in coordinating not just Skid Row's homeless registry, but one for all of L.A. County's Metro Service Planning Area (SPA) 4. DPH served as an initial basis to enable a quick launching and growing of a coordinated entry system and has created a paradigm shift regarding how homeless

LAMP, INC. dba LAMP COMMUNITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - NATURE OF ORGANIZATION (continued)

individuals in Los Angeles access permanent supporting housing. This includes maintenance of a centralized waitlist for housing, one universal assessment tool, one database as well as coordinated outreach efforts and housing resources. Almost 700 of the city's most vulnerable have been housed through this effort, which has also conducted a needs assessment for 1,638 individuals living on Skid Row and added 21 new agencies to the collaborative.

- **Permanent Supportive Housing Program (PSH):** All housing is linked to clinical/social services. PSH with on-site services and scattered site PSH units ensure needs of members with different levels of need and skills are met.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Lamp are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted - Undesignated.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Temporarily Restricted.** Lamp reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. Lamp has \$70,000 of temporarily restricted net assets at June 30, 2014.
- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit Lamp to expend all of the income (or other economic benefits) derived from the donated assets. Lamp has no permanently restricted net assets at June 30, 2014.

LAMP, INC. dba LAMP COMMUNITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Lamp considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents. The carrying value of cash and cash equivalents at June 30, 2014 approximates its fair value.

Lamp maintains separate cash accounts for certain of its members who receive pension and social security payments, as well as cash from other sources. Member funds that have been set aside in restricted trust bank accounts at June 30, 2014 amounted to \$166,263.

(d) ACCOUNTS AND OTHER RECEIVABLES

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts represents their estimated fair value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectibility of those balances and the allowance is adjusted accordingly. Past due receivable balances are written off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2014, the allowance for uncollectible receivables was \$16,581.

(e) CONCENTRATIONS

Lamp places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. Lamp has not incurred losses related to these investments and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The accounts receivable balance outstanding at June 30, 2014 consists primarily of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of Lamp's receivables consist of earned fees from contract programs granted by governmental agencies.

During the year ended June 30, 2014, Lamp earned \$2,468,889 (33% of total revenue and support) under mental health service programs administered by the U.S. Department of Health and Human Services. Lamp also earned \$1,874,512 (25% of total revenue and support) under homeless services programs administered by the U.S. Department of Housing and Urban Development. Lamp anticipates that it will continue to run these programs. There can be no assurance that Lamp will be able to obtain future grant agreements upon the expiration of the current term of the contracts.

(f) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Unconditional contributions, including pledges recorded at estimated fair value, are recognized as revenues in the period received. Lamp reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met. Pledges receivable at June 30, 2014 are due to be collected in their entirety within one year.

LAMP, INC. dba LAMP COMMUNITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation, if donated. Depreciation is provided over the estimated useful lives of the related assets on a straight-line basis as follows:

Buildings and Improvements	27-40 Years
Furniture and Fixtures	5-10 Years
Automobiles and Trucks	7 Years
Leasehold Improvements	Lease Term (Including Extensions)

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year. Expenditures for property and equipment acquired under certain grant agreements are expensed when incurred because the grantor retains title to such assets.

(h) LONG-LIVED ASSETS

Lamp reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flow is less than the carrying amount of the assets, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2014.

(i) REFUNDABLE ADVANCES

Grant funds are recognized as revenue in accordance with the term of the grants and when funds are expended for grant purposes. Refundable advances include both amounts received in excess of funds expended to date as well as grant amounts awarded and not yet expended. In accordance with the term of the grant, each contract must be treated as a separate fund; therefore, continuing programs that accrue debts related to one contract period cannot be paid by cash advances related to another contract period.

(j) CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of their time to Lamp. Some of the services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized as revenue. In-kind contributions of \$66,185 were received which satisfied the criteria for recognition during the year ended June 30, 2014.

(k) INCOME TAXES

Lamp is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

LAMP, INC. dba LAMP COMMUNITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing Lamp's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Lamp uses full time equivalents to allocate indirect and shared costs.

(m) 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 reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

(n) SUBSEQUENT EVENTS

Lamp has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2014 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through March 30, 2015, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred, except for those described in Note 6 and Note 11.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2014:

Land	\$	122,732
Buildings and Improvements		3,278,208
Furniture and Fixtures		643,307
Automobiles and Trucks		67,241
Leasehold Improvements		6,121,371
TOTAL		10,232,859
Less: Accumulated Depreciation		<u>(4,579,240)</u>
PROPERTY AND EQUIPMENT (NET)	\$	<u>5,653,619</u>

Depreciation expense for the year ended June 30, 2014 was \$281,069.

NOTE 4 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2014 consist of the following:

Accrued Payroll	\$	77,135
Accrued Vacation		72,636
Other Accrued Expenses		18,881
TOTAL ACCRUED LIABILITIES	\$	<u>168,652</u>

LAMP, INC. dba LAMP COMMUNITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 5 - LINE OF CREDIT

Lamp has two revolving bank lines of credit with facilities of \$425,000 (secured by receivables and equipment) through April 2015 and \$170,000 (secured by real property) through July 2014, which was replaced by the \$425,000 line. Both lines of credit bear interest at the bank's prime rate plus 1.375% with a floor rate of 5.0%. The bank's prime rate at June 30, 2014 was 3.25%. The outstanding balances at June 30, 2014 on these lines of credit totaled \$376,607.

NOTE 6 - NOTES PAYABLE

Notes payable consists of the following at June 30, 2014:

Note payable to California Department of Housing and Community Development (CDHCD) in the original principal amount of \$1,000,000, collateralized by Lamp's interest (including rents) in, and improvements to, 660 South Stanford Avenue, Los Angeles (Lamp Lodge), principal and interest at 3% due in annual payments made exclusively from residual receipts (as defined in the loan agreement) derived from Lamp Lodge, due April 2021. \$ 1,000,000

Note payable to a Board member in the original principal amount of \$250,000, interest at the greater of prime rate plus 1.25% or 4.5%. Repaid in full in January 2015. See Note 10. 250,000

TOTAL NOTES PAYABLE \$ 1,250,000

It is not anticipated that Lamp will have any residual receipts on the operation of Lamp Lodge that will activate the requirement to make cash payments on the loan from CDHCD. Contingent interest on the note payable to CDHCD amounted to \$695,000 at June 30, 2014.

NOTE 7 - PROFIT SHARING PLANS

Lamp has established a profit sharing plan for its full time employees. The plan provides for annual contributions to be made at the discretion of the Board of Directors. Lamp made no contributions to this plan, and was working to close it out during the year ended June 30, 2014. Since November 2010 Lamp has also had a 403(b) tax-sheltered annuity plan. This plan covers all employees who normally work less than 20 hours a week and have one year of service. Lamp contributes 100% of eligible employee contributions up to 2.5% of compensation. During the year ended June 30, 2014, Lamp contributed \$18,546 to this plan.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

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

United Way of Greater Los Angeles (Permanent Supportive Housing)	\$ 70,000
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LAMP, INC. dba LAMP COMMUNITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 9 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

On January 1, 2009, Lamp entered into an operating lease with the City of Los Angeles for facilities located at 527 Crocker Street, Los Angeles (The Village) and 526 South San Pedro Street, Los Angeles. The lease term is through December 31, 2028. There are no monthly lease payments, provided Lamp continues to provide housing and social services to the homeless community of Los Angeles and perform certain prescribed maintenance, repairs and upgrades to the premises.

Lamp leases property located at 660 South Stanford Avenue, Los Angeles (Lamp Lodge) from the City of Los Angeles Housing Department (City) as successor to the Community Redevelopment Agency of the City of Los Angeles. The term of the lease, which was entered into in April 1990, is 55 years, with an option to extend for 44 years. At the end of the lease term, Lamp will release the site to the City free of all liens and encumbrances. The lease provides for annual rental payments equal to 50% of the annual residual receipts of Lamp Lodge. Through June 30, 2014, there have been no residual receipts.

Lamp also leases certain supportive housing units and equipment under month-to-month operating leases.

Lamp rents three facilities and equipment under operating lease agreements expiring at various dates through June 2017. Future minimum commitments under existing non-cancellable leases as of June 30, 2014 are as follows:

Years Ending June 30

2015	\$	305,897
2016		262,440
2017		<u>236,220</u>
TOTAL	\$	<u>804,557</u>

Rent expense under these leases for the year ended June 30, 2014 was \$94,044.

(b) LEGAL PROCEEDINGS

In the ordinary course of conducting its business, Lamp from time-to-time becomes involved in various lawsuits. Some of these proceedings may result in judgments being assessed against Lamp which may have an impact on changes in net assets. Lamp believes that these proceedings, individually or in the aggregate, would not have a material effect on these financial statements.

(c) CONTRACTS

Lamp's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and accordingly no provision has been made in these financial statements.

LAMP, INC. dba LAMP COMMUNITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 10 - RELATED PARTY TRANSACTIONS

Lamp's Board of Directors and staff have adopted a conflict of interest policy and any transactions involving Board members and/or staff are entered into in accordance with this policy. During the year ended June 30, 2014, the spouse of the former Chief Executive Officer was retained as an independent contractor. His services were Board approved prior to services being rendered. During the year ended June 30, 2014 he was paid \$22,000 for his services.

In June 2014, Lamp obtained a \$250,000 loan from a Board member (See Note 6). This loan was approved by the Board and repaid in full in January 2015.

NOTE 11 - SUBSEQUENT EVENTS

In a prior year, Lamp entered into a second loan agreement with CDHCD in the principal amount of \$1,000,000 collateralized by the Village property located at 526 San Pedro Street, with principal and interest at 3% due in annual installments from residual receipts (as defined in the loan agreement) from the Village as long as the Village is used as an emergency shelter, a transitional housing facility, or a safe haven, and due December 2020. The loan is forgivable at the end of the term. The loan was issued to fund the rehabilitation of the Village building and funded in January 2015.

LAMP, INC.
dba LAMP COMMUNITY
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

LAMP, INC. dba LAMP COMMUNITY

SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
Year Ended June 30, 2014

FEDERAL AND NONFEDERAL AWARDS Agency/Program Grant Title	Federal CFDA Number	Contract Number	Governmental Revenue		Program Expenditures from Governmental Revenue
			Federal	Nonfederal	
MAJOR AWARDS					
U.S. Department of Housing and Urban Development:					
Pass-through, Los Angeles Homeless Services Authority					
Supportive Housing Program	14.235	CA0409L9001205	\$ 226,948	\$ -	\$ 226,948
Community Development Block Grant	14.235	2013CDBG41	180,062	-	180,062
Year-Round Emergency Shelter - Village	N/A	2013YRP14	-	456,250	456,250
Winter Shelter Program	N/A	2013WSP30	-	109,832	109,832
			<u>407,010</u>	<u>566,082</u>	<u>973,092</u>
Pass-through, Los Angeles Homeless Services Authority, A Community of Friends:					
Supportive Housing Program	14.235	N/A	49,476	-	49,476
Supportive Housing Program	14.235	N/A	105,952	-	105,952
Los Angeles County Department of Mental Health	N/A	N/A	-	77,845	77,845
			<u>155,428</u>	<u>77,845</u>	<u>233,273</u>
TOTAL MAJOR AWARDS			<u>562,438</u>	<u>643,927</u>	<u>1,206,365</u>
NON-MAJOR AWARDS					
U.S. Department of Health and Human Services:					
Pass-through, Los Angeles County Department of Mental Health, Projects for Assistance in Transition from Homelessness	93.150	MH120870	384,400	-	384,400
California Department of Health Care Services:					
Alcohol and Drug Program Administration	N/A	MH120870	-	50,000	50,000
Medi-Cal	N/A	MH120870	-	813,600	813,600
Los Angeles County Department of Mental Health:					
MHSA - Planning, Outreach and Engagement	N/A	MH120870	-	780,918	780,918
Wellness Centers	N/A	MH120870	-	280,000	280,000
Mental Health Services Act - Housing Trust Fund	N/A	MH190052	-	142,049	142,049
Mental Health Services Act - Technological Needs Project	N/A	MH100317	-	591	591
Basic Living and Support Services	N/A	N/A	-	17,331	17,331
			<u>384,400</u>	<u>2,084,489</u>	<u>2,468,889</u>
Pass-through, Downtown Women's Center, Office of Minority Health					
Community Programs to Improve Minority Health	93.137	N/A	13,208	-	13,208
U.S. Department of Homeland Security:					
Pass-through, United Way, Emergency Food and Shelter National Board Program	97.024	069500-145	12,000	-	12,000
U.S. Department of Housing and Urban Development:					
Pass-through, City of Los Angeles Housing Department					
Housing Opportunities for Persons with AIDS	14.241	C120290	479,451	-	479,451
Pass-through, Housing Authority of the City of Los Angeles					
Shelter Plus Care Program	N/A	HA-2013-017SPC	-	125,236	125,236
Pass-through, U.S. Department of Veterans Affairs					
Supportive Housing Program	14.871	VA262-13-D-0146	63,460	-	63,460
TOTAL NON-MAJOR AWARDS			<u>952,519</u>	<u>2,209,725</u>	<u>3,162,244</u>
TOTAL FEDERAL AND NONFEDERAL AWARDS			<u>\$ 1,514,957</u>	<u>\$ 2,853,652</u>	<u>\$ 4,368,609</u>

Summary of Significant Accounting Policies

1. Basis of Accounting - The Schedule of Expenditures of Federal and Nonfederal Awards has been reported on the accrual basis of accounting.
2. Lamp is exempt from income taxation under Internal Revenue Code Section 501(c)(3) and California Revenue Taxation Code Section 23701d.

See Independent Auditor's Report