

LAMP, INC.
dba LAMP COMMUNITY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

LAMP, INC. dba LAMP COMMUNITY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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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, 2013, 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, 2013, 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 November 19, 2013, 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

November 19, 2013
Los Angeles, California

LAMP, INC. dba LAMP COMMUNITY

STATEMENT OF FINANCIAL POSITION

June 30, 2013

ASSETS

Cash and Cash Equivalents	\$ 482,984
Restricted Cash - Held for Members	149,078
Accounts and Other Receivables	477,894
Contributions and Pledges Receivable	58,750
Prepaid Expenses and Other Assets	56,327
Property and Equipment (Net)	<u>4,843,905</u>
TOTAL ASSETS	<u><u>\$ 6,068,938</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts Payable	\$ 149,215
Accrued Liabilities	152,790
Funds Held on Behalf of Members	149,078
Refundable Advances	196,164
Note Payable	<u>1,000,000</u>
TOTAL LIABILITIES	\$ 1,647,247

NET ASSETS:

Unrestricted - Undesignated	4,287,941
Temporarily Restricted	<u>133,750</u>
TOTAL NET ASSETS	<u>4,421,691</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,068,938</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

LAMP, INC. dba LAMP COMMUNITY**STATEMENT OF ACTIVITIES**
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:			
Contracts and Grants	\$ 4,914,237	\$ -	4,914,237
Contributions	817,480	133,750	951,230
Apartment Rental Income	125,306	-	125,306
In-Kind Contributions	116,013	-	116,013
Special Events	26,351	-	26,351
Business Revenue	45,220	-	45,220
Other Income	42,601	-	42,601
Releases from Purpose Restrictions	62,500	(62,500)	-
TOTAL REVENUE AND SUPPORT	6,149,708	71,250	6,220,958
EXPENSES:			
Program Services	4,905,476	-	4,905,476
Fundraising	254,866	-	254,866
Management and General	931,582	-	931,582
TOTAL EXPENSES	6,091,924	-	6,091,924
CHANGE IN NET ASSETS	57,784	71,250	129,034
Net Assets - Beginning of Year - As Restated	4,230,157	62,500	4,292,657
NET ASSETS - END OF YEAR	\$ 4,287,941	\$ 133,750	\$ 4,421,691

The Accompanying Notes are an Integral Part of These Financial Statements

LAMP, INC. dba LAMP COMMUNITY

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013

	Program Services	Support Services		Total
		Fundraising	Management and General	
Salaries and Member Stipends	\$ 2,365,765	\$ 124,109	\$ 611,432	\$ 3,101,306
Payroll Taxes and Employee Benefits	734,116	23,112	98,255	855,483
TOTAL PERSONNEL COSTS	3,099,881	147,221	709,687	3,956,789
Member-Related Expenses	268,297	-	259	268,556
Security	229,381	-	-	229,381
Depreciation	179,095	10,055	39,413	228,563
Professional Fees and Outside Services	156,655	27,445	28,133	212,233
Food and Kitchen Supplies	157,070	5,343	63	162,476
Utilities	142,171	1,229	4,153	147,553
Repairs and Maintenance	132,106	211	652	132,969
Computer Maintenance	108,671	2,175	14,831	125,677
Equipment, Furniture and Fixtures	96,549	11,048	6,762	114,359
Program and Office Supplies	46,708	33,127	7,896	87,731
Transportation	59,391	3,751	6,993	70,135
Rent	67,500	-	-	67,500
Telephone and Internet	43,161	1,704	7,198	52,063
Staff Training and Development	27,589	817	23,428	51,834
Insurance	44,238	126	7,016	51,380
Miscellaneous	8,418	8,268	23,583	40,269
Dues and Subscriptions	28,449	1,556	2,372	32,377
Bank and Credit Card Fees	3	590	24,210	24,803
Bad Debt Expense	-	-	12,294	12,294
Taxes and Licenses	-	-	11,042	11,042
Shower and Laundry Supplies	7,147	-	-	7,147
Recruitment	2,996	200	1,597	4,793
TOTAL FUNCTIONAL EXPENSES	\$ 4,905,476	\$ 254,866	\$ 931,582	\$ 6,091,924
	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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$	129,034
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation		228,563
Bad Debt Expense		12,294
Forgiveness of Note Payable		(50,000)
(Increase) Decrease in:		
Restricted Cash		12,061
Accounts and Other Receivables		(8,589)
Contributions and Pledges Receivable		50,520
Prepaid Expenses and Other Assets		57,566
Increase (Decrease) in:		
Accounts Payable		87,352
Accrued Liabilities		10,578
Funds Held on Behalf of Members		(12,061)
Refundable Advances		(223,839)

NET CASH PROVIDED BY OPERATING ACTIVITIES 293,479

CASH FLOWS USED IN INVESTING ACTIVITIES:

Purchase of Property and Equipment (49,011)

NET INCREASE IN CASH AND CASH EQUIVALENTS 244,468

Cash and Cash Equivalents - Beginning of Year 238,516

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 482,984

The Accompanying Notes are an Integral Part of These Financial Statements

LAMP, INC. dba LAMP COMMUNITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 the agency's expertise outreaching to women and men who have the most complex, high-barrier conditions contributing to their homelessness, including untreated, severe and persistent mental illness, as well as mental and physical disabilities including chronic disease. Lamp's approach to service provision includes a high-tolerance, harm reduction framework, which means that the agency provides 'housing first' with no preconditions including sobriety, religious participation, or income. Lamp is one of the only homeless service providers serving the LGBT community in Los Angeles.

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

Founded in 1985 as a daytime drop-in center for people living with mental illness experiencing homelessness, Lamp became one of the first providers of Permanent Supportive Housing in Los Angeles in 1990. All of 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 2013, Lamp served more than 2,000 unique individuals and provided the following services:

- Permanent Supportive Housing services to 450+ residents;
- Intensive clinical services to 600+ women and men;
- Street outreach and emergency services to 1,300+ unsheltered homeless women and men;
- 31,000+ showers, hygiene kits and towels to our neighbors in need;
- 86,000+ meals to more than 1,100 residential clients;
- Money management, benefits advocacy, fine arts and peer support training to 500+ homeless and formerly homeless adults.

Lamp prioritizes securing stable housing for clients and surrounds them with the essential services to help maintain their housing, 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 offers job counseling services, alcohol and drug addiction recovery services, legal services and primary health care through community partnerships.

Target Population and Demographics

Lamp's services are targeted to those who are chronically homeless and/or highly vulnerable to dying on the streets, including unsheltered older adults, persons living with HIV/AIDS or chronic disease, persons living with mental and physical disabilities, and those with substance abuse disorders. Lamp staff engage hard-to-reach individuals through the delivery of intensive services ensuring that all those who seek help obtain it.

LAMP, INC. dba LAMP COMMUNITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 - NATURE OF ORGANIZATION (continued)

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. Lamp 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. Sixty-nine percent are African American, 18% Caucasian, 10% Hispanic/Latino, 1% Asian/Pacific Islander, 1% Native American, and 1% Multi-racial or other. Eleven percent of Lamp members identify as gay or lesbian.

Staff, Board and Volunteers

Lamp currently employs 69 full-time staff and 14 part-time staff. Sixteen men and women serve on the Board of Directors, and the agency is grateful to the community for their hundreds of volunteer hours.

Where Lamp Works

Lamp operates 6 facilities in Los Angeles and provides services onsite in 4 additional Permanent Supportive Housing buildings. Lamp provides individualized support services to more than 450 clients living in independent, Permanent Supportive Housing.

- *The Lamp Village* - Located at 526 San Pedro Street in Skid Row, the Lamp Village hosts 74 year-round emergency beds. In 2012, Lamp doubled the number of beds reserved for women to 28, and doubled the number of beds for individuals living with HIV/AIDS to 16. The Village offers housing locator services, intensive case management, and onsite primary health care. It also hosts a variety of agency-wide programs, including Fine Arts and Music, Peer Advocacy, Money Management, public showers and toilets, and the only public Laundromat on Skid Row.
- *The Frank Rice Access Center (FRAC)* - Located at 627 San Julian Street - in the heart of Skid Row - FRAC provides 18 emergency beds for persons with HIV/AIDS in partnership with JWCH and outreach services to more than 1,300 homeless men and women annually. FRAC also offers public showers and toilets. Quite often, staff at the FRAC are the first point of contact for women and men looking to change their lives and emergency and crisis intervention programs are linked to longer-term housing, medical and mental health care, and other basic services.
- *The Lamp Lodge* - Located at 660 Stanford Avenue in Skid Row offers 49 units of Permanent Supportive Housing. Lamp Lodge provides on-site staff and programs and is dedicated to chronically homeless adults.
- *The Wellness Center* - Located at 619 East 5th Street, the Wellness Center is the only Medi-Cal certified program of its type in Skid Row. As an outpatient mental health clinic, the Center offers comprehensive, wrap-around therapeutic and psychiatric services to more than 200 individuals annually. In addition, support groups and the Peer Advocacy Programs are also available onsite.
- *Los Angeles Nest* - Located at 325 South Los Angeles Street, just outside of Skid Row. The Nest houses the Residential Intensive Support Teams (RIST) program. RIST serves individuals residing in Permanent Supportive Housing throughout the city in a scattered site model. The Nest also houses Lamp's Harm Reduction Team and Downtown Pathway Home, a Lamp led initiative supporting 14 agencies in partnership to end homelessness of the most vulnerable in Downtown LA.

LAMP, INC. dba LAMP COMMUNITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 - NATURE OF ORGANIZATION (continued)

- *Lamp HAUS* – Located at 1920 West Third Street in MacArthur Park. The HAUS program offers interim housing to clients referred by the Department of Health Services who are in the permanent housing process. Clients of this new program include high utilizers of emergency medical services who are also homeless and in critical need of Lamp's services.
- Programs and services match members with the right services, at the right time. Many clients engage with street outreach 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, and regaining confidence, joy and self-respect.

Lamp's programs include:

Shower and Toilet Program - On average, Lamp provides more than 120 showers, hygiene kits, towels, and outreach each day. Showers and toilets are open to the public and available through the Village and Frank Rice Access Center.

Emergency Housing - Emergency housing programs are designed to be service-rich, increasing client retention and successful outcomes. Emergency shelter beds are available for individuals to come immediately off of the streets while working on housing goals and linkage to other needed services. Emergency housing includes meals and snacks, on-site health care, intensive case management, counseling and therapy, and always follows a harm reduction philosophy.

Permanent Supportive Housing (PSH) - Lamp provides immediate housing and services for more than 450 individuals throughout Los Angeles. All housing is linked to clinical and social services for individuals living with mental illness, HIV/AIDS, or other chronic health conditions. Two models of PSH are available: housing units in PSH apartment buildings with onsite services, and independent housing units receiving field-based services through Lamp's Residential Intensive Support Teams (RIST). The goal of all housing programs is to work with members in their home to ensure full community integration and long term housing stability.

Wellness Center - Lamp offers the only free standing, community-based Medi-Cal certified Wellness Center in Skid Row. In the last year, the Center has had 250% more enrollments than in the previous year. The Center functions as an outpatient mental health clinic, and offers mental and physical healthcare, psychiatric care, medication management, therapy and counseling, recovery groups, pre-employment training and literacy instruction to more than 200 homeless and formerly homeless clients.

Harm Reduction - Lamp's programs follow a harm reduction philosophy and also offers harm reduction programming for the community. Harm reduction services include emergency housing and PSH for men and women living with HIV/AIDS, in addition to dedicated street outreach for individuals at high risk of infection. Support groups, testing and counseling, education programs, prevention kits, and linkage to comprehensive and immediate no-cost medical care round out this lifesaving program in Downtown Los Angeles.

LAMP, INC. dba LAMP COMMUNITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 - NATURE OF ORGANIZATION (continued)

Member Resources - Member Resources is comprised of programs that elevate the economic self-sufficiency of Lamp members. Benefits Advocacy provides one-on-one support to individuals who need to register for public income and health insurance programs, such as Medi-Cal and social security disability. Money Management offers personal banking services to more than 200 Downtown Los Angeles residents, housed and homeless, as well as financial counseling and budgeting assistance. The Peer Advocacy Project (PAP) is an agency sponsored pre-employment training program. In its first 2 years, PAP has trained more than 50 members and 4 have been subsequently employed at Lamp.

Fine Arts and Music - The Fine Arts and Music program is one of the Lamp's most active and therapeutic offerings. Participants make and sell art, interact with the public at gallery shows, and engage in activities that build resilience.

Downtown Pathway Home - In the summer of 2011, Lamp and 14 other service agencies formed a city-wide initiative charged with ending chronic and veteran homelessness in Los Angeles by 2015. Leading this initiative, Lamp is paving the way to shift service delivery for the city's most vulnerable while decreasing service duplication among partners. Putting those most vulnerable first, sharing life-saving resources, and trading competition among agencies for increased housing outcomes are among the initiative's first priorities.

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.** 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. Restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted contributions. Lamp has \$133,750 of temporarily restricted net assets at June 30, 2013.

LAMP, INC. dba LAMP COMMUNITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) ACCOUNTING (continued)

- **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, 2013.

(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, 2013 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, 2013 amounted to \$149,078.

(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, if any, represents their estimated fair value. The allowance for doubtful accounts, if any, 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, 2013, Lamp evaluated the collectibility of its receivables and determined that no allowance for uncollectible receivables was necessary.

(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, 2013 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, 2013, Lamp earned \$2,582,480 (42% of total revenue and support) under mental health service programs administered by the U.S. Department of Health and Human Services. Lamp also earned \$1,975,050 (32% 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.

LAMP, INC. dba LAMP COMMUNITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 2013 are expected to be collected in their entirety within one year.

(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.

(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, 2013.

(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 separate fund; therefore, continuing programs that accrue debts related to one contract period cannot be paid by cash advances related to another contract period.

LAMP, INC. dba LAMP COMMUNITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 \$116,013 were received which satisfied the criteria for recognition during the year ended June 30, 2013.

(k) INCOME TAXES

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

(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) CHANGE IN ACCOUNTING METHOD

During the year ended June 30, 2013, Lamp modified its accounting treatment for accruing interest on notes payable where the interest is expected to be forgiven. The note payable to the California Department of Housing and Community Development contains provisions which require Lamp to make principal and interest payments in any future period in which Lamp has residual receipts from operations of its Lamp Lodge. Under the previous accounting method, interest on this loan was accrued annually on Lamp's statement of financial position. However, Lamp believes that the current and future operations of Lamp Lodge will not yield residual receipts and that the likelihood of having to pay interest under this loan is not probable. Therefore, Lamp is no longer accruing interest under this loan, but is rather treating the interest as a contingent liability. Interest expense of \$635,000 previously recognized and accrued has been reversed, resulting in beginning net assets of \$3,657,657 as originally reported increasing to \$4,292,657 as currently reported. The cumulative contingent liability for interest is disclosed in Note 6.

LAMP, INC. dba LAMP COMMUNITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) SUBSEQUENT EVENTS

Lamp has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2013 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 19, 2013, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2013:

Land	\$	122,732
Buildings and Improvements		3,278,208
Furniture and Fixtures		537,140
Automobiles and Trucks		67,241
Leasehold Improvements		5,136,755
TOTAL		9,142,076
Less: Accumulated Depreciation		(4,298,171)
PROPERTY AND EQUIPMENT (NET)	\$	4,843,905

Depreciation expense for the year ended June 30, 2013 was \$228,563.

NOTE 4 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2013 consist of the following:

Accrued Payroll	\$	88,229
Accrued Vacation		60,243
Other Accrued Expenses		4,318
TOTAL ACCRUED LIABILITIES	\$	152,790

NOTE 5 - LINE OF CREDIT

Lamp has two revolving bank lines of credit with facilities of \$425,000 (secured by receivables and equipment) and \$170,000 (secured by real property) through January 2014 and July 2014, respectively. Both lines of credit bear interest at the bank's prime rate plus 1.375% with a floor rate of 5.0%. There was no outstanding balance at June 30, 2013 on these lines of credit. The bank's prime rate at June 30, 2013 was 3.25%.

LAMP, INC. dba LAMP COMMUNITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 6 - NOTE PAYABLE

Note payable consists of the following at June 30, 2013:

Note payable to California Department of Housing and Community Development 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

TOTAL NOTE PAYABLE

\$ 1,000,000

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 the California Department of Housing and Community Development.

Contingent interest on the note payable to the California Department of Housing and Community Development amounted to \$665,000 at June 30, 2013.

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, 2013. Since November 2010 Lamp has also had a 403(b) tax-sheltered annuity plan. Lamp contributes 100% of eligible employee contributions up to 2.5% of compensation. During the year ended June 30, 2013, Lamp contributed \$35,526 to this plan.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2013 are restricted for the following purposes:

W. M. Keck Foundation (Downtown Pathway Home)	\$ 75,000
United Way of Greater Los Angeles (Permanent Supportive Housing)	50,000
United Way of Greater Los Angeles (General)	<u>8,750</u>
<i>TOTAL TEMPORARILY RESTRICTED NET ASSETS</i>	<u>\$ 133,750</u>

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 performs certain prescribed maintenance, repairs and upgrades to the premises.

LAMP, INC. dba LAMP COMMUNITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 9 - COMMITMENTS AND CONTINGENCIES (continued)

(a) OPERATING LEASES (continued)

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, 2013, there have been no residual receipts.

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

Lamp rents two facilities and equipment under operating lease agreements expiring at various dates through December 2014. Future minimum commitments under existing non-cancellable leases as of June 30, 2013 are as follows:

Years Ending June 30	
2014	\$ 91,696
2015	<u>27,482</u>
TOTAL	<u>\$ 119,178</u>

Rent expense for the year ended June 30, 2013 was \$67,500.

(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.

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, 2013 the spouse of the 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, 2013 he was paid \$10,000 for his services.

LAMP, INC.
dba LAMP COMMUNITY
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

LAMP, INC. dba LAMP COMMUNITY

SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
Year Ended June 30, 2013

Agency/Program Grant Title	Federal CFDA Number	Contract Number	Governmental Revenue		Program Expenditures from Governmental Revenue
			Federal	Nonfederal	
FEDERAL AND NONFEDERAL AWARDS					
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	-	1,096,500	1,096,500
Mental Health Services Act - Housing Trust Fund	N/A	N/A	-	129,606	129,606
Mental Health Services Act - Technological Needs Project	N/A	N/A	-	50,750	50,750
Basic Living and Support Services	N/A	N/A	-	57,624	57,624
			<u>384,400</u>	<u>2,198,080</u>	<u>2,582,480</u>
U.S. Department of Homeland Security:					
Pass-through, United Way, Emergency Food and Shelter National Board Program	97.024	069500-145	24,700	-	24,700
TOTAL MAJOR AWARDS			<u>409,100</u>	<u>2,198,080</u>	<u>2,607,180</u>
NON-MAJOR AWARDS					
U.S. Department of Housing and Urban Development:					
Pass-through, Los Angeles Homeless Services Authority					
Supportive Housing Program	14.235	CA0409B9D001104	\$ 243,379	\$ -	243,379
Community Development Block Grant	14.235	2012CDBG41	214,516	-	214,516
Parks Operations Program	N/A	2012CITYGF06	-	60,000	60,000
Year-Round Emergency Shelter - Village	N/A	2012YRP14	-	456,251	456,251
Winter Shelter Program	N/A	2012WSP30	-	109,199	109,199
			<u>457,895</u>	<u>625,450</u>	<u>1,083,345</u>
Pass-through, Los Angeles Homeless Services Authority,					
A Community of Friends:					
Supportive Housing Program	14.235	N/A	49,672	-	49,672
Supportive Housing Program	14.235	N/A	114,254	-	114,254
Supportive Housing Program	14.235	N/A	102,805	-	102,805
Los Angeles County Department of Mental Health	N/A	N/A	-	59,135	59,135
			<u>266,731</u>	<u>59,135</u>	<u>325,866</u>
Pass-through, City of Los Angeles Housing Department					
Housing Opportunities for Persons with AIDS	14.241	C120290	430,451	-	430,451
Pass-through, Los Angeles Homeless Services Authority, Inner City Law Center and Legal Aid Foundation of Los Angeles:					
Homelessness Prevention and Rapid Re-Housing Program	14.257	2009HPRP05	14,824	-	14,824
Pass-through, Housing Authority of the City of Los Angeles:					
Shelter Plus Care Program	N/A	HA-2012-013SPC	-	120,564	120,564
U.S. Department of Health and Human Services:					
Pass-through, Downtown Women's Center, Office of Minority Health:					
Community Programs to Improve Minority Health	93.137	N/A	45,244	-	45,244
California Department of Housing and Community Development:					
Pass-through, United Way, Emergency Housing and Assistance Program	N/A	N/A	-	4,942	4,942
TOTAL NON-MAJOR AWARDS			<u>1,215,145</u>	<u>810,091</u>	<u>2,025,236</u>
TOTAL FEDERAL AND NONFEDERAL AWARDS			<u>\$ 1,624,245</u>	<u>\$ 3,008,171</u>	<u>\$ 4,632,416</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