



ALPHA PROJECT FOR THE HOMELESS
FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015



Leaf & Cole, LLP
Certified Public Accountants

**ALPHA PROJECT FOR THE HOMELESS
FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
Alpha Project for the Homeless

Report on the Financial Statements

We have audited the accompanying financial statements of Alpha Project for the Homeless, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 Alpha Project for the Homeless as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 9, 2016, on our consideration of Alpha Project for the Homeless' 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 Alpha Project for the Homeless' internal control over financial reporting and compliance.

Leaf & Cole LLP

San Diego, California
November 9, 2016

**ALPHA PROJECT FOR THE HOMELESS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

ASSETS

	<u>2016</u>	<u>2015</u>
<u>Current Assets:</u> (Notes 1, 2, 3 and 4)		
Cash and cash equivalents	\$ 697,805	\$ 1,451,380
Investments	242,595	250,659
Grants and contracts receivable	671,878	650,701
Prepaid expenses and deposits	110,862	88,992
Total Current Assets	1,723,140	2,441,732
<u>Noncurrent Assets:</u> (Notes 1, 2, 5, 6 and 8)		
Deposits	1,189	1,189
Loan fees, net	-	50
Property and equipment, net	1,760,030	1,649,280
Beneficial interest in endowment funds	51,623	55,003
Total Noncurrent Assets	1,812,842	1,705,522
TOTAL ASSETS	\$ 3,535,982	\$ 4,147,254

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 1 and 7)		
Accounts payable	\$ 68,592	\$ 49,963
Accrued expenses	162,978	290,268
Line-of-credit payable	116,552	16,303
Client trust	35,285	29,990
Current portion of notes payable	61,834	98,042
Total Current Liabilities	445,241	484,566
<u>Noncurrent Liabilities:</u> (Note 8)		
Notes payable, net of current portion	834,808	865,352
Interest payable	67,187	63,438
Total Noncurrent Liabilities	901,995	928,790
Total Liabilities	1,347,236	1,413,356
<u>Commitments and Contingency</u> (Notes 11 and 12)		
<u>Net Assets:</u> (Notes 1, 9, 10 and 13)		
Unrestricted	2,053,606	2,516,589
Temporarily restricted	85,140	167,309
Permanently restricted	50,000	50,000
Total Net Assets	2,188,746	2,733,898
TOTAL LIABILITIES AND NET ASSETS	\$ 3,535,982	\$ 4,147,254

The accompanying notes are an integral part of the financial statements.

**ALPHA PROJECT FOR THE HOMELESS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<u>Unrestricted Net Assets:</u>		
<u>Support and Revenues:</u>		
Grants and contracts	\$ 3,368,163	\$ 4,711,429
Program revenues	1,592,514	1,519,026
In-kind contributions	1,086,372	676,252
Contributions	807,365	429,443
Miscellaneous income	37,958	31,338
Developer fee	30,062	150,000
Investment (loss) income	(3,713)	8,645
Net assets released from restrictions	151,080	35,911
Total Support and Revenues	<u>7,069,801</u>	<u>7,562,044</u>
<u>Expenses:</u>		
<u>Program Services:</u>		
Rehabilitation program services	3,860,476	3,366,814
Connections Interim Housing	709,267	777,447
Special projects	647,312	633,468
Other programs	391,476	154,921
Rapid Re-Housing	324,719	446,044
Outreach	317,103	128,132
Alpha House	199,956	262,744
Neil Good Day Center	-	729,495
Winter Shelter	-	688,049
Transportation services	-	219,504
Total Program Services	<u>6,450,309</u>	<u>7,406,618</u>
<u>Supporting Services:</u>		
Management and general	1,008,721	722,783
Fundraising	73,754	70,911
Total Supporting Services	<u>1,082,475</u>	<u>793,694</u>
Total Expenses	<u>7,532,784</u>	<u>8,200,312</u>
Change in Unrestricted Net Assets	<u>(462,983)</u>	<u>(638,268)</u>
<u>Temporarily Restricted Net Assets:</u>		
Contributions	70,009	133,100
Investment (loss) gain	(1,098)	1,549
Net assets released from restrictions	(151,080)	(35,911)
Change in Temporarily Restricted Net Assets	<u>(82,169)</u>	<u>98,738</u>
Net Assets at Beginning of Year	<u>2,733,898</u>	<u>3,273,428</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,188,746</u>	<u>\$ 2,733,898</u>

The accompanying notes are an integral part of the financial statements.

**ALPHA PROJECT FOR THE HOMELESS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016**

	Program Services							Supporting Services			
	Rehabilitation Program Services	Alpha House	Connections Interim Housing	Special Projects	Rapid Re-Housing	Outreach	Other Programs	Total Program Services	Management and General	Fund- Raising	Total Expenses
Salaries and Related Expenses:											
Salaries and wages	\$ 1,560,020	\$ 13,936	\$ 498,064	\$ 405,467	\$ 45,748	\$ 214,822	\$ 164,117	\$ 2,902,174	\$ 382,367	\$ 19,144	\$ 3,303,685
Payroll taxes and fringe benefits	370,995	2,450	112,441	88,576	10,941	43,770	46,946	676,119	103,541	4,786	784,446
Total Salaries and Related Expenses	1,931,015	16,386	610,505	494,043	56,689	258,592	211,063	3,578,293	485,908	23,930	4,088,131
Nonsalary Related Expenses:											
Advertising and marketing	1,769	-	-	-	150	-	792	2,711	57,448	14,362	74,521
Auto and truck	27,111	-	1,810	11,285	-	10,203	5,746	56,155	8,188	-	64,343
Bank fees	120	36	-	75	-	36	7	274	4,134	-	4,408
Bus tokens	-	-	629	-	76	-	3,347	4,052	18	-	4,070
Client Assist	4,662	-	141	-	227,593	8,386	20,537	261,319	2,414	-	263,733
Contracted services	58,000	-	-	-	-	-	80,311	138,311	3,500	-	141,811
Cost of newspapers	5,020	-	-	-	-	-	-	5,020	-	-	5,020
Depreciation and amortization	73,945	10,750	394	14,628	-	7,818	8,151	115,686	26,188	-	141,874
Drug testing	35,296	-	-	-	-	-	-	35,296	-	-	35,296
Dues and subscriptions	2,670	-	351	-	351	951	406	4,729	6,267	-	10,996
Equipment rental	46,447	-	624	4,368	2,564	-	1,274	55,277	29,935	-	85,212
Food	313,876	10,991	76	-	279	6,876	5,433	337,531	354	-	337,885
Fundraising	-	-	-	-	-	-	-	-	-	33,278	33,278
Gasoline	64,615	-	4,425	20,136	437	10,916	4,030	104,559	15,808	-	120,367
In-kind expenses	833,719	145,000	2,953	-	13,350	550	-	995,572	90,800	-	1,086,372
Insurance	51,431	1,705	5,112	17,312	14	4,427	181	80,182	23,678	-	103,860
Interest	12,880	-	-	17,335	-	-	-	30,215	909	-	31,124
Licenses and fees	9,125	61	248	4,552	-	842	43	14,871	3,865	-	18,736
Medical expense	1,372	-	1,766	-	-	-	1,123	4,261	42,032	-	46,293
Meetings	1,383	-	1,469	47	927	266	4,938	9,030	29,938	-	38,968
Miscellaneous	2,179	294	617	550	150	700	5,510	10,000	12,517	-	22,517
Office expense	13,572	-	3,262	406	419	584	3,075	21,318	4,687	-	26,005
Parking	3,305	-	11,268	576	2,636	-	1,448	19,233	1,922	-	21,155
Postage	3,719	-	184	649	253	-	149	4,954	5,378	-	10,332
Professional fees	21,609	-	5,345	2,102	4,440	-	20,629	54,125	123,902	-	178,027
Property taxes	50,860	-	-	1,313	-	-	-	52,173	-	-	52,173
Rent	16,997	-	1,226	2,803	10,266	-	-	31,292	9,691	-	40,983
Repairs and maintenance	16,018	2,073	-	6,024	983	-	-	25,098	547	-	25,645
Stipends	62,810	-	-	-	-	-	50	62,860	-	-	62,860
Supplies	50,188	2,729	50,539	23,153	1,032	2,974	8,437	139,052	8,180	2,030	149,262
Supplies - Books	5,529	-	-	-	-	-	-	5,529	-	-	5,529
Technology	8,454	-	963	2,065	-	-	317	11,799	1,656	-	13,455
Telephone	39,425	-	3,310	7,093	-	2,474	654	52,956	2,920	154	56,030
Training	2,397	-	600	-	-	-	-	2,997	1,265	-	4,262
Trash	16,864	-	-	11,416	-	-	82	28,362	-	-	28,362
Travel	671	-	657	-	2,110	-	3,081	6,519	4,002	-	10,521
Uniforms	2,896	-	-	-	-	-	-	2,896	-	-	2,896
Utilities	68,527	6,449	793	5,381	-	508	662	82,320	670	-	82,990
Vending machine	-	3,482	-	-	-	-	-	3,482	-	-	3,482
Total Expenses	\$ 3,860,476	\$ 199,956	\$ 709,267	\$ 647,312	\$ 324,719	\$ 317,103	\$ 391,476	\$ 6,450,309	\$ 1,008,721	\$ 73,754	\$ 7,532,784

The accompanying notes are an integral part of the financial statements.

**ALPHA PROJECT FOR THE HOMELESS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015**

	Program Services										Supporting Services			
	Rehabilitation Program Services	Transportation Services	Alpha House	Neil Good Day Center	Winter Shelter	Connections Interim Housing	Special Projects	Rapid Re-Housing	Outreach	Other Programs	Total Program Services	Management and General	Fund-Raising	Total Expenses
Salaries and Related Expenses:														
Salaries and wages	\$ 1,455,378	\$ 150,047	\$ 17,050	\$ 448,626	\$ 333,652	\$ 550,220	\$ 374,695	\$ 74,641	\$ 93,098	\$ 45,771	\$ 3,543,178	\$ 225,075	\$ 14,001	\$ 3,782,254
Payroll taxes and fringe benefits	362,405	33,090	3,509	76,903	71,334	126,148	89,317	14,402	17,791	14,738	809,637	58,799	3,501	871,937
Total Salaries and Related Expenses	1,817,783	183,137	20,559	525,529	404,986	676,368	464,012	89,043	110,889	60,509	4,352,815	283,874	17,502	4,654,191
Nonsalary Related Expenses:														
Advertising and marketing	209	-	-	-	-	62	81	27	187	397	963	45,090	11,269	57,322
Auto and truck	32,867	4,996	-	-	-	1,069	17,914	-	512	1,914	59,272	13,867	-	73,139
Bank fees	-	-	-	59	14	-	-	-	12	-	85	3,879	-	3,964
Bus tokens	-	-	-	-	-	935	-	200	-	370	1,505	5	-	1,510
Client Assist	7,859	-	-	-	-	184	-	333,659	40	15,276	357,018	619	-	357,637
Contracted services	59,000	-	-	-	-	-	-	-	-	64,056	123,056	2,000	-	125,056
Cost of newspapers	4,627	-	-	-	-	-	-	-	-	-	4,627	-	-	4,627
Depreciation and amortization	67,285	8,067	10,974	5,295	-	394	20,609	-	5,245	-	117,869	27,661	-	145,530
Drug testing	36,919	-	-	-	-	-	-	-	-	-	36,919	-	-	36,919
Dues and subscriptions	3,489	-	-	480	438	605	382	438	-	135	5,967	4,830	-	10,797
Equipment rental	43,509	-	-	2,960	74,471	757	4,630	2,277	-	8	128,612	22,020	-	150,632
Food	341,319	-	34,359	780	72,805	323	-	100	1,682	3,054	454,422	785	-	455,207
Fundraising	-	-	-	-	-	-	-	-	-	-	-	-	39,157	39,157
Gasoline	86,098	10,602	-	4,235	-	10,032	27,613	548	6,446	-	145,574	19,264	-	164,838
In-kind expenses	365,452	-	172,113	39,030	69,767	-	-	-	-	-	646,362	29,890	-	676,252
Insurance	45,734	5,820	2,111	1,918	755	5,312	19,607	-	-	-	81,257	18,049	-	99,306
Interest	12,858	-	-	-	-	-	17,844	-	-	-	30,702	3,711	-	34,413
Licenses and fees	57,858	1,351	61	521	-	234	4,488	405	-	80	64,998	4,423	-	69,421
Medical expense	306	106	-	53	-	1,088	-	-	53	-	1,606	36,940	-	38,546
Meetings	3,773	-	-	-	17	1,022	70	163	-	1,214	6,259	42,199	-	48,458
Miscellaneous	1,927	200	375	2,080	400	800	800	-	175	597	7,354	12,707	-	20,061
Office expense	17,118	45	-	12,877	3,281	4,438	1,055	1,788	-	237	40,839	1,193	-	42,032
Parking	3,171	-	-	324	-	13,270	576	1,465	55	268	19,129	1,997	-	21,126
Postage	1,775	-	-	205	-	160	365	-	-	-	2,505	3,927	-	6,432
Professional fees	15,299	-	-	11,509	5,017	5,271	1,930	-	-	3,450	42,476	122,903	-	165,379
Property taxes	43,839	-	-	-	-	-	1,302	-	-	-	45,141	-	-	45,141
Rent	16,264	-	-	1,460	3,454	1,148	2,625	7,619	-	-	32,570	4,095	-	36,665
Repairs and maintenance	8,613	-	708	6,374	17,050	-	5,327	1,084	-	-	39,156	613	-	39,769
Stipends	70,150	-	-	2,088	50	-	-	-	-	-	72,288	-	-	72,288
Supplies	56,932	32	9,208	48,354	27,967	48,888	19,132	5,075	2,068	2,790	220,446	11,611	2,903	234,960
Supplies - Books	5,083	-	-	-	-	-	-	-	-	-	5,083	-	-	5,083
Technology	6,557	-	-	1,189	260	623	1,951	1,113	-	-	11,693	535	-	12,228
Telephone	37,961	5,148	-	8,835	1,224	3,604	7,722	-	-	-	64,494	1,507	80	66,081
Training	2,327	-	-	-	-	-	190	-	-	-	2,517	368	-	2,885
Trash	16,864	-	-	8,850	5,834	-	7,451	-	-	-	38,999	-	-	38,999
Travel	568	-	-	459	-	73	-	1,040	-	78	2,218	2,078	-	4,296
Uniforms	4,429	-	-	-	-	-	-	-	-	-	4,429	-	-	4,429
Utilities	70,992	-	6,029	44,031	259	787	5,792	-	768	488	129,146	143	-	129,289
Vending machine	-	-	6,247	-	-	-	-	-	-	-	6,247	-	-	6,247
Total Expenses	\$ 3,366,814	\$ 219,504	\$ 262,744	\$ 729,495	\$ 688,049	\$ 777,447	\$ 633,468	\$ 446,044	\$ 128,132	\$ 154,921	\$ 7,406,618	\$ 722,783	\$ 70,911	\$ 8,200,312

The accompanying notes are an integral part of the financial statements.

**ALPHA PROJECT FOR THE HOMELESS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (545,152)	\$ (539,530)
Adjustments to reconcile change in net assets to net cash used in operations:		
Depreciation and amortization	141,874	145,530
Net realized and unrealized losses on investments	4,214	3,476
Beneficial interest in endowment funds loss (gain)	1,098	(1,549)
(Increase) Decrease in:		
Grants and contracts receivable	(21,177)	275,005
Prepaid expenses and deposits	(21,870)	15,064
Increase (Decrease) in:		
Accounts payable	18,629	(24,664)
Accrued expenses	(127,290)	25,763
Client trust	5,295	1,851
Interest payable	3,749	3,750
Net Cash Used in Operating Activities	<u>(540,630)</u>	<u>(95,304)</u>
<u>Cash Flows From Investing Activities:</u>		
Sale (Purchase) of investments, net	3,850	(9,342)
Purchase of property and equipment	(252,574)	(56,221)
Change in beneficial interest in endowment funds	2,282	2,617
Net Cash Used in Investing Activities	<u>(246,442)</u>	<u>(62,946)</u>
<u>Cash Flows From Financing Activities:</u>		
Proceeds from (Repayments of) line-of-credit, net	100,249	(22,469)
Repayments on notes payable	(66,752)	(113,802)
Net Cash Provided by (Used in) Financing Activities	<u>33,497</u>	<u>(136,271)</u>
Decrease in Cash and Cash Equivalents	(753,575)	(294,521)
Cash and Cash Equivalents at Beginning of Year	<u>1,451,380</u>	<u>1,745,901</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 697,805</u>	<u>\$ 1,451,380</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid for interest	<u>\$ 27,375</u>	<u>\$ 30,663</u>

The accompanying notes are an integral part of the financial statements.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 1 - Organization and Significant Accounting Policies:

Organization

Alpha Project for the Homeless

Alpha Project for the Homeless (“Alpha Project”) was organized in February 1987 under the Nonprofit Public Benefit Corporation Law for public and charitable purposes. The mission of Alpha Project is to empower individuals, families, and communities by providing work, recovery and support services to people who are motivated to change their lives and achieve self-sufficiency. Alpha Project’s many programs are available to all persons in need regardless of race, creed, color, ethnicity, national origin, religion, gender, or sexual orientation.

Alpha Project strives not to manage homelessness, but rather to end it for its clients. The agency’s programs do not aim at making homelessness easier, or less costly, or more tolerable. Alpha Project breaks the cycle of homelessness and provides an alternate direction for its clients out of hopelessness and despair, and into a life of responsibility and dignity.

Each program offered by the Alpha Project focuses on assisting participants to attain their own optimal level of independence. For most of the program participants, successful completion of the programs will mean complete and permanent independence through education, employment, sobriety, and stability. For those clients with special needs, the programs maximize their own potential and support as much independence as possible. All of the clients, regardless of their history, are encouraged, supported, and assisted in reaching their maximum potential with dignity and respect.

Alpha Square Pizzeria and Deli, LLC

Alpha Square Pizzeria and Deli, LLC (“Alpha Pizza”) was incorporated as a single member limited liability corporation on June 8, 2016. Alpha Pizza had no activity for the year ended June 30, 2016. Alpha Project has expended \$93,685 in construction in progress for Alpha Pizza at June 30, 2016.

The following is a brief description of Alpha Project’s programs:

Rehabilitation Program Services

Casa Raphael

The program is a state-licensed and certified residential treatment program for men in recovery from substance abuse. The program provides housing, food, recovery workshops, case management, mental health counseling, health and work and financial assistance.

Casa Base

The State licensed program provides a six-week rehabilitation program for men who are entering into Casa Raphael, which incorporates job training, education, and room and board and all services listed above.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Organization (Continued)

Connections Interim Housing

Connections interim housing consists of 150-interim housing beds located at Connections Housing at 1250 6th Ave in Downtown San Diego. Connections Housing is a partnership between Alpha Project, PATH, Family Health Centers and Affirmed Housing, offering integrated services and a residential community in order to reduce street homelessness in the downtown area. Virtually every resource an individual needs to break the cycle of homelessness will be available on-site at this facility, including a one-stop social service center and a community health clinic.

Alpha Project's interim housing program will be available to homeless men and women living on the streets of Downtown San Diego and will target the chronically homeless population. The most prevalent special needs among the target population are mental illness and substance abuse and dependency disorders. Other special needs among those served will include histories of domestic violence and abuse, old age, physical disability and chronic illness.

Special Projects

Throughout the year, Alpha Project contracts directly with various public departments and private entities to provide weed and brush abatement services and other community benefit projects to neighborhoods and rural areas throughout San Diego County.

Other Programs

Hospice for the Homeless

Each year more than 100 homeless men and women die on the streets of San Diego. In 2007, Alpha Project launched Hospice for the Homeless to provide assistance to veterans, homeless and indigent people diagnosed with chronic and terminal illnesses. This program caters to those that have been told by a physician that they have 6 months or less to live. Alpha Project provides housing, support services and case management, and local hospice programs provide medical care, medications and hospice specific services.

25 Cities – Working Together to End Veteran and Chronic Homelessness

The 25 Cities Downtown San Diego Design Team is comprised of multiple organizations dedicated to creating a strategic system that will assess, match, house, and retain Veterans experiencing homelessness and those who are chronically homeless.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Organization (Continued)

Other Programs (Continued)

Alpha Square

Alpha Square is a new construction project that will include 203 studio apartments for low and very-low-income individuals in Downtown San Diego. The project's residents will include formerly homeless men and women and others with special needs, many of whom will be supported by rental subsidies through Alpha Project's contracts with the San Diego Housing Commission. Services on-site will include street-front retail and commercial space on the building's ground floor, along with case management, financial support and access to long-term treatment and other services for all residents through Alpha Project's numerous programs and those of more than a dozen community-based partners.

Rapid Re-Housing

The Rapid Re-Housing program provides financial assistance and services to prevent individuals and families from becoming homeless and help those who are experiencing homelessness to be quickly re-housed and stabilized. This program is intended to target individuals and families who would be homeless but for this assistance. The program provides short-term or medium-term rental assistance and housing relocation and stabilization services.

Outreach

At the core of all of Alpha Project's facilities and services is a program of Community Outreach, designed not only to assist those in need in accessing needed services, but also to assist the surrounding neighborhood in addressing homeless-related issues. Outreach workers are trained in crisis response and de-escalation, with access to transportation and a wealth of referral sources to help those in need connect with sources of support.

Outreach services combine safe, quality, affordable housing with sensitive, professional property management and support services. The program provides rental assistance for residents with special needs in downtown San Diego. Rents are restricted in all units to make them affordable to persons who live on fixed incomes.

Alpha House

Alpha House is designed to provide sober living and transitional housing to those needing safe, clean and affordable housing while transitioning back into the workforce through participation in Alpha Project's special projects worker program.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Organization (Continued)

Significant Accounting Policies

Method of Accounting

The financial statements of Alpha Project have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets – Net assets not subject to donor imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor imposed stipulations that will be met by actions of Alpha Project and/or the passage of time. When a donor stipulated time restriction ends or a purpose 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 restrictions.
- Permanently restricted net assets – Net assets subject to donor imposed stipulations requiring that they be maintained permanently by Alpha Project. The income from these assets is available for either general operations or specific programs as specified by the donor.

The FASB has issued reporting standards for endowments of not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhanced disclosures for all endowment funds. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds.

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

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Risks and Uncertainties

Alpha Project invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.

Financial Statement Presentation (Continued)

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

Alpha Project's statements of financial position include the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in mutual funds and corporate stocks are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- Investments in mortgage-backed securities are considered Level 2 assets and are reported at fair value based on quoted prices in active markets for similar assets at the measurement date.
- Beneficial interest in endowment funds held at San Diego Foundation is considered a Level 3 asset which represents the fair value of the underlying assets as reported by San Diego Foundation.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all grants and contracts receivable were fully collectible; therefore, no allowance for doubtful grants and contracts receivable was recorded at June 30, 2016 and 2015.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Capitalization and Depreciation

Alpha Project capitalizes all expenditures in excess of \$500 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long these donated assets must be maintained, Alpha Project reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Alpha Project reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated using the straight-line method over the estimated useful asset lives as follows:

Buildings and improvements	7 - 40 years
Equipment, furniture and fixtures	5 - 7 years
Vehicles	5 - 7 years

Depreciation totaled \$141,824 and \$145,470 for the years ended June 30, 2016 and 2015, respectively.

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of property and equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings.

Impairment of Real Estate

Alpha Project reviews its investment in real estate for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted net cash flows expected to be generated by the property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2016 and 2015.

Amortization

Loan fees totaling \$200 and \$200, net of accumulated amortization of \$200 and \$150, at June 30, 2016 and 2015, respectively, are being amortized on the straight-line method over five years. Amortization expense totaled \$50 and \$60 for the years ended June 30, 2016 and 2015, respectively.

Compensated Absences

Accumulated unpaid vacation totaling \$127,106 and \$125,494 at June 30, 2016 and 2015, respectively, is accrued when incurred and included in accrued expenses.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Revenue Recognition

Grants and contracts revenue are recognized in the period in which the related work is performed in accordance with the terms of the grant or contract. Grants and contracts receivable are recorded when revenue earned under a grant or contract exceeds the cash received. Deferred revenue is recorded when cash received under a grant or contract exceeds the revenue earned.

Contributions are recognized when the donor makes a promise to give to Alpha Project that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires 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.

Donated Services and Materials

Alpha Project utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2016 and 2015, did not meet the requirements above, therefore no amounts were recognized in the financial statements.

Alpha Project has received substantial donations of materials, food and supplies. The donations of materials, food and supplies are recorded at their fair value and totaled \$1,086,372 and \$676,252 for the years ended June 30, 2016 and 2015 respectively, and have been reported as in-kind contributions and expenses.

Concentration of Credit Risk

Alpha Project maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Alpha Project has not experienced any losses in such accounts. Alpha Project believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the statements of cash flows, Alpha Project considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

Reclassification

Alpha Project has reclassified certain prior year information to confirm with the current year presentation.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Subsequent Events

In preparing these financial statements, Alpha Project has evaluated events and transactions for potential recognition or disclosure through November 9, 2016, the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at June 30:

	2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2016
Mutual funds:				
Growth funds	\$ 143,454	\$ -	\$ -	\$ 143,454
Growth and income funds	43,283	-	-	43,283
Income funds	42,245	-	-	42,245
Corporate stocks:				
Domestic equities	11,541	-	-	11,541
Mortgage-backed securities	-	2,072	-	2,072
Beneficial interest in endowment funds (Note 5)	-	-	51,623	51,623
	<u>\$ 240,523</u>	<u>\$ 2,072</u>	<u>\$ 51,623</u>	<u>\$ 294,218</u>

	2015			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2015
Mutual funds:				
Growth funds	\$ 151,039	\$ -	\$ -	\$ 151,039
Income funds	45,209	-	-	45,209
Growth and income funds	42,835	-	-	42,835
Corporate stocks:				
Domestic equities	9,008	-	-	9,008
Mortgage-backed securities	-	2,568	-	2,568
Beneficial interest in endowment funds (Note 5)	-	-	55,003	55,003
	<u>\$ 248,091</u>	<u>\$ 2,568</u>	<u>\$ 55,003</u>	<u>\$ 305,662</u>

The reconciliation for financial instruments measured at fair value on a recurring basis as significant unobservable inputs (Level 3) are included in the Notes as indicated above.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 2 - Fair Value Measurements: (Continued)

The following table represents Alpha Project's Level 3 financial instruments, the valuation techniques used to measure the fair value of the financial instruments, and the significant unobservable inputs and the range of values for those inputs for the years ended June 30:

		2016		
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 51,623	Valuation of underlying assets as provided by San Diego Foundation	Base Price	N/A

		2015		
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 55,003	Valuation of underlying assets as provided by San Diego Foundation	Base Price	N/A

Note 3 - Investments:

Investments consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Mutual funds	\$ 228,982	\$ 239,083
Corporate stocks	11,541	9,008
Mortgage-backed securities	2,072	2,568
Total Investments	<u>\$ 242,595</u>	<u>\$ 250,659</u>

The following schedule summarizes the investment return presented in the statements of activities for the years ended June 30:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>
Interest and dividends	\$ 2,177	\$ -	\$ 2,177
Net realized and unrealized losses	(4,214)	(1,098)	(5,312)
Investment fees	(1,676)	-	(1,676)
Total Investment Loss	<u>\$ (3,713)</u>	<u>\$ (1,098)</u>	<u>\$ (4,811)</u>

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 3 - Investments: (Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2015</u>
Interest and dividends	\$ 15,695	\$ -	\$ 15,695
Net realized and unrealized (losses) gains	(3,476)	1,549	(1,927)
Investment fees	(3,574)	-	(3,574)
Total Investment Income	<u>\$ 8,645</u>	<u>\$ 1,549</u>	<u>\$ 10,194</u>

Note 4 - Grants and Contracts Receivable:

Grants and contracts receivable consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
County of San Diego Prop 36	\$ 190,239	\$ -
PATH – Connections	124,910	42,673
City of San Diego	80,773	104,023
Environmental Disposal	79,929	81,815
Environmental Programs	56,709	54,437
County of San Diego	39,186	171,689
City of National City	20,000	127,943
Crisis House	18,804	17,840
San Diego Unified Port District	15,840	15,840
Hillcrest Business Association	12,000	-
Other Grants and Contracts	10,552	-
SanDag	6,461	-
City of Vista	6,400	6,210
Alpha Square 4% and 9%	3,880	-
Infoline of San Diego County	3,125	-
Royal Property Management	1,858	7,447
Quarry Falls, LLC	1,212	11,632
Tierra Verde Resources, Inc.	-	9,152
Total Grants and Contracts Receivable	<u>\$ 671,878</u>	<u>\$ 650,701</u>

Note 5- Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Land	\$ 992,592	\$ 992,592
Buildings and improvements	1,222,231	1,190,031
Equipment, furniture and fixtures	309,974	287,469
Vehicles	1,132,290	1,028,106
Construction in progress	93,685	-
Subtotal	<u>3,750,772</u>	<u>3,498,198</u>
Less: Accumulated depreciation	(1,990,742)	(1,848,918)
Property and Equipment, Net	<u>\$ 1,760,030</u>	<u>\$ 1,649,280</u>

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 6 - Beneficial Interest in Endowment Funds:

Alpha Project has a beneficial interest in endowment funds held at San Diego Foundation, which are classified as permanently restricted as these investments must be maintained in perpetuity. The beneficial interest is invested in a portfolio of equity and debt securities, which is structured for long-term return consisting of 26% domestic equities, 28% international equities, 16% alternative investments, 17% fixed income, 4% commodities, 8% real estate and 1% cash and cash equivalents.

The activity in the beneficial interest in endowment funds consisted of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Balance at Beginning of Year	\$ 55,003	\$ 56,071
Investment (loss) gain	(1,098)	1,549
Distributions	<u>(2,282)</u>	<u>(2,617)</u>
Balance at End of Year	<u>\$ 51,623</u>	<u>\$ 55,003</u>

Note 7 – Line-of-Credit:

Alpha Project has an unsecured line-of-credit with Wells Fargo in the amount of \$150,000 with interest at the bank's prime rate plus 1.75% (5.25% at June 30, 2016). The outstanding balance totaled \$116,552 and \$16,303 at June 30, 2016 and 2015, respectively.

Note 8 - Notes Payable:

Notes payable consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Note payable to Wells Fargo, payable in monthly payments of \$4,920 including interest at 4.25%, due November 2016. Secured by real property.	\$ 25,939	\$ 82,377

(Continued)

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 8 - Notes Payable:

	<u>2016</u>	<u>2015</u>
Note payable to the Community Development Commission of the City of Vista, payable in interest only payments at 3.00% from residual receipts, accrued interest and principal due August, 2053. Secured by real property. Interest payable totaled \$67,188 and \$63,438 at June 30, 2016 and 2015, respectively.	\$ 125,000	\$ 125,000
Note payable to the County of San Diego Department of Housing and Community Development, non-interest bearing, principal due July 2053. Secured by real property.	235,000	235,000
Note payable to California Bank & Trust, payable in monthly installments of \$2,136 including interest at 4.744%, due May 2019. Secured by real property.	354,806	363,106
Note payable to the City of San Diego, noninterest bearing, no monthly payments. Repayment only upon termination of the related housing program. Secured by real property.	82,500	82,500
Note payable to Ally, payable in monthly installments of \$614 including interest at 3.95%. Secured by a vehicle.	7,479	14,409
Note payable to Ally, payable in monthly installments of \$594 including interest at 3.95% due January 2019. Secured by a vehicle.	16,897	23,226
Note payable to Ally payable in monthly installments of \$593 including interest at 2.94%, due February 2019. Secured by a vehicle.	18,204	24,681
Note payable to Ally Bank & Trust, payable in monthly installments of \$637 including interest at 3.35%, due November 2020. Secured by a vehicle.	30,817	-
Note payable to Ally Bank, payable in monthly installments of \$883 including interest at -0%, due August 2015. Secured by a vehicle.	-	2,665
Note payable to California Bank & Trust, payable in monthly installments of \$663 including interest at 4.25% due December 2015. Secured by a vehicle.	-	5,215
Note payable to California Bank & Trust, payable in monthly installments of \$663 including interest at 4.25%, due December 2015. Secured by a vehicle.	-	5,215
Total Notes Payable	896,642	963,394
Less: Current Portion	(61,834)	(98,042)
Notes Payable, Net of current Portion	\$ 834,808	\$ 865,352

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 8 - Notes Payable: (Continued)

Future principal payments on the notes payable are as follows:

<u>Years Ended June 30</u>		
2017	\$	61,834
2018		30,079
2019		25,227
2020		17,792
2021		14,050
Thereafter		747,660
Total	\$	<u>896,642</u>

Note 9 – Temporarily Restricted Net Assets:

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

	<u>2016</u>	<u>2015</u>
Facility improvements / Father Joe’s Villages	\$ 47,528	\$ 56,750
Hospice	35,989	25,906
Unappropriated endowment earnings	1,623	5,003
Alpha Square	-	79,650
Total Temporarily Restricted Net Assets	<u>\$ 85,140</u>	<u>\$ 167,309</u>

Net assets totaling \$151,080 and \$35,911 were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors during the years ended June 30, 2016 and 2015.

Note 10 - Endowment Net Assets:

The endowment funds of Alpha Project are held by San Diego Foundation (the “Foundation”). The Foundation manages the funds in accordance with UPMIFA. The Foundation’s objective is to maintain the purchasing power (real value) of the endowment funds. However, from time to time, the fair value of the assets in the endowment fund may fall below the level that the donors require Alpha Project to retain as a fund of perpetual duration. Alpha Project classifies permanently restricted net assets held by the Foundation as:

- The original value of gifts donated to the fund
- The original value of Alpha Project funds transferred to the fund
- The original value of subsequent gifts donated to the fund

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Alpha Project to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, there were no deficiencies of this nature that are reported in unrestricted net assets at June 30, 2016 and 2015.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 10 - Endowment Net Assets:

The Foundation has adopted investment and spending policies for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a level commensurate with that of the median fund in comparable foundations
- Comply with applicable laws

The Foundation's endowment funds are invested in a portfolio of equity and debt securities, which is structured for long-term total return. The Foundation's spending policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis. If the market value of the Endowment Principal of any fund, at the end of each month, is less than the initial value of all contributions made to the Endowment Principal, then distributions will be limited to interest and dividends received.

Endowment composition by type of fund and changes in endowment net assets as of and for the years ended June 30:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets at June 30, 2014	\$ -	\$ 6,071	\$ 50,000	\$ 56,071
Net realized and unrealized appreciation	-	1,549	-	1,549
Appropriation of endowment assets for expenditure	-	(2,617)	-	(2,617)
Endowment Net Assets at June 30, 2015	-	5,003	50,000	55,003
Net realized and unrealized depreciation	-	(1,098)	-	(1,098)
Appropriation of endowment assets for expenditure	-	(2,282)	-	(2,282)
Endowment Net Assets at June 30, 2016	<u>\$ -</u>	<u>\$ 1,623</u>	<u>\$ 50,000</u>	<u>\$ 51,623</u>

Note 11 - Commitments:

Operating Leases

Alpha Project leases office equipment under non-cancelable operating leases that expire at various dates through December 2018. Rental expense under these leases totaled \$44,460 and \$40,342 for the years ended June 30, 2016 and 2015, respectively, and is included in equipment rental.

Alpha Project leases office space, storage facilities and other facilities under leases on a month-to-month basis. Rental expense under these leases totaled \$40,983 and \$36,665 for the years ended June 30, 2016 and 2015, respectively.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 11 - Commitments: (Continued)

Operating Leases (Continued)

The following is a schedule of future minimum lease payments under the leases:

Years Ended June 30	
2017	\$ 65,034
2018	65,521
2019	24,687
2020	486
Total	<u>\$ 155,728</u>

Employee Benefit Plan

Alpha Project established a 403(b) profit and sharing plan (the “Plan”) covering all full-time employees of Alpha Project. Employees may defer up to 25% of their annual compensation, not to exceed the annual amount allowed by law. Alpha Project may contribute a discretionary matching contribution each year. There were no matching contributions for the years ended June 30, 2016 and 2015.

Capital Contributions and Operating Guarantees

From time to time, Alpha Project will engage in various obligations with other nonprofit organizations to assist in providing permanent housing for graduates of the Casa Raphael and Casa Base programs. There was no outstanding recourse debt relating to these obligations at June 30, 2016 and 2015.

Developer Fees

A developer fee was earned by Alpha Project for development services provided to Oxford Terrace Partners, LP, in the amount of \$1,109,603. The unpaid balance totaled \$436,277 at June 30, 2016 and 2015, respectively. Alpha Project did not receive any developer fee payments for the years ended June 30, 2016 and 2015.

Alpha Project has an agreement with CL Dellums, LP to provide development services for a fee not to exceed \$825,720. The unpaid balance totaled \$713,031 at June 30, 2016 and 2015. Alpha Project did not receive any developer fee payments for the years ended June 30, 2016 and 2015.

Alpha Project has an agreement with Chelsea Investment Corporation to provide development services for Alpha Square for a fee of 67% of the total developer fee allowed. The unpaid balance totaled \$612,421 and \$-0- at June 30, 2016 and 2015, respectively. Alpha Project received \$-0- and \$150,000, for the years ended June 30, 2016 and 2015, respectively.

Due to restrictions on the funds available to pay the developer fees, the likelihood of collection of these amounts are not known and not assured as of the date of these financial statements, therefore, no amounts have been recorded as a receivable at June 30, 2016 and 2015.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 12 – Contingency:

Legal claims and lawsuits arise from time to time in the normal course of business. Alpha Project’s management and legal counsel estimate that the potential claims against Alpha Project not covered by insurance, resulting from such litigation, would not materially affect the operations or financial condition of Alpha Project.

Note 13 - Prior Period Restatement:

Alpha Project reclassified contributions as temporarily restricted for the years ended June 30, 2014 and 2015 and net assets released from restrictions for the year ended June 30, 2015 as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets at June 30, 2014, as Previously Reported	\$ 3,197,357	\$ 26,071	\$ 50,000	\$ 3,273,428
Reclassify contributions	(42,500)	42,500	-	-
Net Assets at June 30, 2014, as Restated	<u>\$ 3,154,857</u>	<u>\$ 68,571</u>	<u>\$ 50,000</u>	<u>\$ 3,273,428</u>
Net Assets at June 30, 2015, as Previously Reported	\$ 2,599,245	\$ 84,653	\$ 50,000	\$ 2,733,898
Reclassify contributions for June 30, 2014	(42,500)	42,500	-	-
Reclassify contributions	(29,600)	29,600	-	-
Reclassify net assets released from restriction	(10,556)	10,556	-	-
Net Assets at June 30, 2015, as Restated	<u>\$ 2,516,589</u>	<u>\$ 167,309</u>	<u>\$ 50,000</u>	<u>\$ 2,373,898</u>

**ALPHA PROJECT FOR THE HOMELESS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grants/Pass -Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass -Through Number	Passed Through to Subrecipient	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Direct Program:				
Continuum of Care Program:	14.267		\$ -	\$ 147,620
Total Direct Program			<u>-</u>	<u>147,620</u>
Pass-Through Programs From:				
Community Development Block Grants/Entitlement Grants:	14.218			
PATH		SHI-13-6	-	179,340
Total Community Development Block Grants/Entitlement Grants			<u>-</u>	<u>179,340</u>
Emergency Solutions Grant Program:	14.231			
San Diego Housing Commission		SHI-13-12	-	87,934
PATH		SHI-13-6	-	85,281
Total Emergency Solutions Grant Program			<u>-</u>	<u>173,215</u>
Continuum of Care Program:	14.267			
Crisis Housing, Inc.		CA0695L9D011407	-	112,449
San Diego Housing Commission		1208L9D011200	-	86,396
County of San Diego Housing and Community Development		CA1162L9D011403	-	84,140
Total Continuum of Care Program			<u>-</u>	<u>282,985</u>
Total Pass-Through Programs			<u>-</u>	<u>635,540</u>
Total U.S. Department of Housing and Urban Development			<u>-</u>	<u>783,160</u>
U.S. Department of Health and Human Services:				
Pass-Through Program From:				
Block Grants for Prevention and Treatment of Substance Abuse:	93.959			
County of San Diego		46151	-	442,097
Total U.S. Department of Health and Human Services			<u>-</u>	<u>442,097</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,225,257</u>

**ALPHA PROJECT FOR THE HOMELESS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Alpha Project for the Homeless under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Alpha Project for the Homeless it is not intended to and does not present the financial position, changes in net assets, or cash flows of Alpha Project for the Homeless.

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, as applicable, either the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* or the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass through entity identifying numbers are presented where available.

Alpha Project for the Homeless has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.



Leaf & Cole, LLP
Certified Public Accountants
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**Independent Auditor's 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
Alpha Project for the Homeless

We have audited, in accordance with the 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 Alpha Project for the Homeless, which comprise the statement of financial position as of June 30, 2016, 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 November 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alpha Project for the Homeless' 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 Alpha Project for the Homeless' internal control. Accordingly, we do not express an opinion on the effectiveness of Alpha Project for the Homeless' 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 entity'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 Alpha Project for the Homeless' 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.

Leaf & Cole LLP

San Diego, California
November 9, 2016



Leaf & Cole, LLP
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**Independent Auditor's Report on Compliance
for the Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance**

To the Board of Directors
Alpha Project for the Homeless

Report on Compliance for the Major Federal Program

We have audited Alpha Project for the Homeless' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Alpha Project for the Homeless' major federal program for the year ended June 30, 2016. Alpha Project for the Homeless' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Alpha Project for the Homeless' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Alpha Project for the Homeless' 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 the major federal program. However, our audit does not provide a legal determination of Alpha Project for the Homeless' compliance.

Opinion on the Major Federal Program

In our opinion, Alpha Project for the Homeless complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of Alpha Project for the Homeless 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 Alpha Project for the Homeless' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Alpha Project for the Homeless' internal control over compliance.

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

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

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

Leaf & Cole LLP

San Diego, California
November 9, 2016

**ALPHA PROJECT FOR THE HOMELESS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

 Material weaknesses identified? _____ Yes X No

 Significant deficiencies identified? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Type of auditor's report issued on compliance for the major program: Unmodified

Internal control over major program:

 Material weaknesses identified? _____ Yes X No

 Significant deficiencies identified? _____ Yes X No

Any audit findings disclosed that are required to be Reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of the major program:

<u>C DFA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings:

None

Section III - Federal Award Findings and Questioned Costs:

None



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

November 9, 2016

Mr. Robert McElroy
Alpha Project for the Homeless
3737 Fifth Avenue, Suite 203
San Diego, California 92103

Dear Mr. McElroy:

Enclosed are the audited financial statements for Alpha Project for the Homeless for the year ended June 30, 2016. Following are the filing requirements for these reports.

Federal Audit Clearinghouse:

The single audit reporting package is required to be submitted electronically through the Federal Audit Clearinghouse Internet Data Entry System. We have entered the Form SF-SAC and uploaded the complete single audit package as required. The submission must still be certified by both the auditee and the auditor. Upon receipt of the e-mail from the Federal Audit Clearinghouse we will certify as the auditor.

You will receive an e-mail from the Federal Audit Clearinghouse with instructions as to how you enter your signature codes online to certify the submission. The federal Audit Clearinghouse will send e-mails to the auditee and auditor to confirm the receipt of the Form SF-SAC and single audit reporting package. Please print the e-mail and retain for your records.

Very truly yours,

LEAF & COLE, LLP

A handwritten signature in black ink, appearing to read 'Julie A. Firl', written over a light blue circular stamp or watermark.

Julie A. Firl

Enclosures