



ALPHA PROJECT FOR THE HOMELESS
FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012



Leaf & Cole, LLP
Certified Public Accountants

**ALPHA PROJECT FOR THE HOMELESS
FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

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Independent Auditor's Report

To the Board of Directors
Alpha Project for the Homeless
San Diego, California 92103

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, 2013 and 2012, 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, 2013 and 2012, 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.

Report on Supplementary 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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, 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 _____, 2013, 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
October 8, 2013

**ALPHA PROJECT FOR THE HOMELESS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012**

ASSETS

	<u>2013</u>	<u>2012</u>
<u>Current Assets:</u> (Notes 1, 2, 3 and 4)		
Cash and cash equivalents	\$ 1,541,809	\$ 1,817,804
Investments	209,183	183,641
Grants and contracts receivable	948,438	458,729
Prepaid expenses	17,020	43,178
Total Current Assets	<u>2,716,450</u>	<u>2,503,352</u>
<u>Noncurrent Assets:</u> (Notes 1, 2, 5, 6 and 8)		
Property and equipment, net	1,809,147	1,832,283
Loan fees, net	1,366	3,828
Deposits	1,189	1,189
Beneficial interest in San Diego Foundation	50,895	48,316
Total Noncurrent Assets	<u>1,862,597</u>	<u>1,885,616</u>
TOTAL ASSETS	<u>\$ 4,579,047</u>	<u>\$ 4,388,968</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 1 and 7)		
Accounts payable	\$ 81,605	\$ 60,344
Accrued expenses	251,836	196,934
Line-of-credit payable	40,059	-
Client trust	30,543	6,678
Current portion of notes payable	99,024	133,402
Total Current Liabilities	<u>503,067</u>	<u>397,358</u>
<u>Noncurrent Liabilities:</u> (Note 8)		
Notes payable, less current portion	1,017,351	1,087,889
Interest payable	55,938	52,188
Total Noncurrent Liabilities	<u>1,073,289</u>	<u>1,140,077</u>
Total Liabilities	<u>1,576,356</u>	<u>1,537,435</u>
<u>Commitments</u> (Note 10)		
<u>Net Assets:</u> (Notes 1 and 9)		
Unrestricted	2,952,691	2,801,533
Permanently restricted	50,000	50,000
Total Net Assets	<u>3,002,691</u>	<u>2,851,533</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,579,047</u>	<u>\$ 4,388,968</u>

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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<u>Unrestricted Net Assets:</u>		
<u>Support and Revenues:</u>		
Grants and contracts	\$ 3,903,814	\$ 3,172,181
Program revenues	1,600,148	1,523,992
Contributions	620,680	757,487
In-kind contributions	445,426	547,715
Miscellaneous income	51,033	30,139
Investment income (loss)	34,418	(6,635)
Developer fee	1,374	157,983
Total Support and Revenues	6,656,893	6,182,862
<u>Expenses:</u>		
<u>Program Services:</u>		
Rehabilitation program services	2,588,027	2,676,958
Winter Shelter	966,090	662,976
Special projects	729,035	525,331
Neil Good Day Center	684,784	680,798
Connections Interim Housing	390,635	-
Alpha House	260,488	193,562
Transportation services	249,990	417,303
Outreach	77,482	200,890
Take Back the Streets	-	398,514
Total Program Services	5,946,531	5,756,332
<u>Supporting Services:</u>		
Management and general	506,403	543,934
Fundraising	52,801	141,111
Total Supporting Services	559,204	685,045
Total Expenses	6,505,735	6,441,377
Change in Unrestricted Net Assets	151,158	(258,515)
Net Assets at Beginning of Year	2,851,533	3,110,048
NET ASSETS AT END OF YEAR	\$ 3,002,691	\$ 2,851,533

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, 2013**

	Program Services								Supporting Services			Total Expenses
	Rehabilitation Program Services	Transportation Services	Alpha House	Neil Good Day Center	Winter Shelter	Connections Interim Housing	Special Projects	Outreach	Total Program Services	Management and General	Fund-Raising	
Salaries and Related Expenses:												
Salaries and wages	\$ 1,021,255	\$ 167,424	\$ 18,589	\$ 382,873	\$ 447,959	\$ 236,138	\$ 450,814	\$ 13,898	\$ 2,738,950	\$ 123,027	\$ 6,278	\$ 2,868,255
Payroll taxes and fringe benefits	316,879	42,570	3,890	70,865	86,654	42,549	108,263	2,634	674,304	50,958	1,432	726,694
Total Salaries and Related Expenses	1,338,134	209,994	22,479	453,738	534,613	278,687	559,077	16,532	3,413,254	173,985	7,710	3,594,949
Nonsalary Related Expenses:												
Advertising and marketing	158	-	-	-	-	798	706	-	1,662	42,344	10,586	54,592
Auto and truck	18,719	2,150	-	-	-	284	18,114	216	39,483	7,501	-	46,984
Bank fees	104	-	-	-	20	-	3	3	130	3,870	-	4,000
Bus tokens	398	-	-	-	-	-	-	-	398	-	-	398
Client Assist	3,944	-	-	3,442	688	-	-	50	8,124	75	-	8,199
Contracted services	53,373	-	-	-	-	-	-	-	53,373	-	-	53,373
Cost of newspapers	43,063	-	-	-	-	-	-	-	43,063	-	-	43,063
Depreciation and amortization	80,462	21,686	13,813	1,850	-	-	38,107	8,662	164,580	29,506	-	194,086
Drug testing	10,350	-	-	-	-	-	-	-	10,350	-	-	10,350
Dues and subscriptions	4,081	-	-	763	691	713	338	-	6,586	3,051	-	9,637
Equipment rental	31,414	-	-	3,806	161,614	247	5,441	3,252	205,774	22,902	-	228,676
Food	228,616	-	82,407	540	158,968	43,322	134	39	514,026	-	-	514,026
Fundraising	-	-	-	-	-	-	-	-	-	-	34,151	34,151
Gasoline	114,081	4,869	-	3,775	1,070	4,032	-	41,935	169,762	19,023	-	188,785
In-kind expenses	197,032	-	119,801	63,990	42,414	-	-	-	423,237	22,191	-	445,428
Insurance	47,146	5,524	4,166	1,416	1,344	-	14,890	2,469	76,955	13,967	-	90,922
Interest	14,861	353	-	-	-	-	24,226	-	39,440	2,846	-	42,286
Licenses and fees	30,054	1,081	499	607	-	277	4,122	-	36,640	3,412	-	40,052
Medical expense	5,000	-	-	30	96	275	315	-	5,716	31,714	-	37,430
Meetings	1,233	-	-	-	727	321	-	79	2,360	24,273	-	26,633
Miscellaneous	1,960	300	1,371	1,108	998	492	1,026	-	7,255	6,154	-	13,409
Office expense	14,415	-	23	6,807	3,294	6,323	1,200	19	32,081	923	-	33,004
Parking	3,065	-	-	324	50	8,676	728	832	13,675	1,401	-	15,076
Postage	1,388	-	-	162	-	56	360	-	1,966	3,724	-	5,690
Professional fees	13,190	-	-	11,266	5,579	197	3,796	-	34,028	44,827	-	78,855
Property taxes	46,120	-	-	-	-	-	982	-	47,102	-	-	47,102
Rent	15,811	-	-	1,450	3,600	481	3,251	-	24,593	3,523	-	28,116
Repairs and maintenance	10,899	-	676	9,427	8,890	-	5,034	-	34,926	3,176	-	38,102
Stipends	75,955	-	-	725	-	200	-	-	76,880	51	-	76,931
Supplies	34,616	11	4,936	43,380	32,898	43,047	20,684	277	179,849	27,445	-	207,294
Supplies - Books	5,031	-	-	-	-	-	-	-	5,031	-	-	5,031
Technology	15,008	-	-	4,055	1,207	448	4,103	-	24,821	1,156	-	25,977
Telephone	40,137	4,022	-	7,292	1,808	1,236	8,466	1,912	64,873	6,718	354	71,945
Training	2,043	-	-	67	-	174	174	445	2,903	1,536	-	4,439
Trash	15,825	-	-	12,824	4,051	-	-	-	32,700	-	-	32,700
Travel	741	-	-	426	-	93	3,971	100	5,331	4,984	-	10,315
Uniforms	8,726	-	164	850	820	-	5,923	660	17,143	30	-	17,173
Utilities	60,874	-	4,456	50,664	650	256	3,864	-	120,764	95	-	120,859
Vending machine	-	-	5,697	-	-	-	-	-	5,697	-	-	5,697
TOTAL EXPENSES	\$ 2,588,027	\$ 249,990	\$ 260,488	\$ 684,784	\$ 966,090	\$ 390,635	\$ 729,035	\$ 77,482	\$ 5,946,531	\$ 506,403	\$ 52,801	\$ 6,505,735

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, 2012**

	Program Services								Supporting Services			Total Expenses
	Rehabilitation Program Services	Take Back the Streets	Transportation Services	Alpha House	Neil Good Day Center	Winter Shelter	Special Projects	Outreach	Total Program Services	Management and General	Fund-Raising	
Salaries and Related Expenses:												
Salaries and wages	\$ 1,043,263	\$ 276,652	\$ 282,971	\$ 12,146	\$ 369,329	\$ 324,414	\$ 310,354	\$ 71,967	\$ 2,691,096	\$ 211,153	\$ 5,643	\$ 2,907,892
Payroll taxes and fringe benefits	359,255	56,121	59,610	2,600	69,921	65,744	70,455	19,541	703,247	40,801	1,426	745,474
Total Salaries and Related Expenses	1,402,518	332,773	342,581	14,746	439,250	390,158	380,809	91,508	3,394,343	251,954	7,069	3,653,366
Nonsalary Related Expenses:												
Advertising and marketing	2,252	682	-	-	-	-	-	-	2,934	33,650	8,413	44,997
Auto and truck	25,268	4,315	6,174	-	-	-	15,181	79	51,017	12,190	-	63,207
Bank fees	165	-	-	-	4	30	33	-	232	4,634	-	4,866
Bus tokens	1,016	-	-	-	2,885	-	-	-	3,901	-	-	3,901
Client Assist	4,791	-	-	-	461	51	-	49,550	54,853	6,074	-	60,927
Contracted services	53,546	-	-	-	-	-	-	-	53,546	-	-	53,546
Cost of newspapers	34,864	-	-	-	-	-	-	-	34,864	-	-	34,864
Depreciation and amortization	76,929	5,739	21,686	13,813	937	-	27,741	13,344	160,189	23,138	-	183,327
Drug testing	14,334	-	-	-	-	-	-	381	14,715	-	-	14,715
Dues and subscriptions	5,447	289	-	-	959	587	670	-	7,952	2,555	-	10,507
Equipment rental	25,923	371	-	-	2,754	100,673	3,603	2,322	135,646	12,810	-	148,456
Food	187,551	-	-	58,149	1,831	95,574	231	39	343,375	109	-	343,484
Fundraising	-	-	-	-	-	-	-	-	-	-	124,028	124,028
Gasoline	120,574	9,460	22,867	-	2,158	2,225	-	34,214	191,498	16,292	-	207,790
In-kind expenses	316,109	-	-	85,684	79,968	33,758	-	-	515,519	32,196	-	547,715
Insurance	38,617	3,024	13,879	4,538	1,974	862	8,779	518	72,191	12,844	-	85,035
Interest	19,888	-	1,297	-	-	-	25,756	-	46,941	1,756	-	48,697
Licenses and fees	5,672	447	1,772	628	244	-	3,570	-	12,333	5,081	-	17,414
Medical expense	1,421	48	48	-	-	-	299	-	1,816	14,792	-	16,608
Meetings	1,068	-	88	-	-	470	-	39	1,665	17,439	-	19,104
Miscellaneous	4,393	700	350	-	1,009	100	600	761	7,913	11,754	-	19,667
Office expense	14,418	470	22	105	11,157	3,637	699	286	30,794	3,840	-	34,634
Parking	2,722	276	3	-	324	100	585	910	4,920	1,345	-	6,265
Postage	1,575	157	-	-	201	-	364	33	2,330	760	-	3,090
Professional fees	10,032	452	3,362	-	9,974	3,677	5,020	271	32,788	36,969	-	69,757
Property taxes	41,882	-	-	31	-	-	968	-	42,881	-	-	42,881
Rent	16,096	1,111	-	-	1,429	2,900	3,011	1,850	26,397	2,796	-	29,193
Repairs and maintenance	4,772	163	-	1,220	4,216	5,261	2,735	-	18,367	494	-	18,861
Stipends	76,275	-	-	-	1,400	100	-	-	77,775	-	-	77,775
Supplies	21,011	20,533	-	3,340	39,234	18,602	19,905	506	123,131	11,688	-	134,819
Supplies - Books	4,435	-	-	-	-	-	-	-	4,435	-	-	4,435
Technology	6,370	704	-	-	2,544	-	1,937	-	11,555	1,549	-	13,104
Telephone	40,708	3,259	3,174	-	7,179	624	7,078	3,007	65,029	6,406	1,601	73,036
Training	1,091	-	-	-	-	-	-	-	1,091	2,894	-	3,985
Trash	15,825	13,275	-	37	11,486	3,241	6,746	-	50,610	-	-	50,610
Travel	273	-	-	-	320	-	-	-	593	488	-	1,081
Uniforms	17,227	10	-	254	20	80	2,657	20	20,268	15,345	-	35,613
Utilities	59,900	256	-	5,291	56,880	266	6,354	1,252	130,199	92	-	130,291
Vending machine	-	-	-	5,726	-	-	-	-	5,726	-	-	5,726
TOTAL EXPENSES	\$ 2,676,958	\$ 398,514	\$ 417,303	\$ 193,562	\$ 680,798	\$ 662,976	\$ 525,331	\$ 200,890	\$ 5,756,332	\$ 543,934	\$ 141,111	\$ 6,441,377

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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<u>Cash Flows From Operating Activities:</u>		
Change in unrestricted net assets	\$ 151,158	\$ (258,515)
Adjustments to reconcile change in unrestricted net assets to net cash (used in) provided by operations:		
Depreciation and amortization	194,086	183,327
Realized and unrealized (gains)/losses on investments	(20,344)	16,930
Gain on sale of property and equipment	(8,412)	-
Beneficial interest in San Diego Foundation (gain)/loss	(4,781)	42
(Increase) Decrease in:		
Grants and contracts receivable	(489,709)	(43,229)
Prepaid expenses	26,158	3,144
Increase (Decrease) in:		
Accounts payable	21,261	(16,435)
Accrued expenses	54,902	145,395
Client trust	23,865	(2,385)
Interest payable	3,750	3,750
Net Cash (Used in) Provided by Operating Activities	<u>(48,066)</u>	<u>32,024</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of investments	(5,198)	(6,340)
Purchase of property and equipment	(168,488)	(109,312)
Proceeds from sale of property and equipment	8,412	-
Purchase of loan fees	-	(200)
Beneficial interest in San Diego Foundation distribution	2,202	1,467
Net Cash Used in Investing Activities	<u>(163,072)</u>	<u>(114,385)</u>
<u>Cash Flows From Financing Activities:</u>		
Proceeds from line-of-credit, net	40,059	-
Proceeds from notes payable	33,398	58,332
Repayments on notes payable	(138,314)	(143,784)
Net Cash Used in Financing Activities	<u>(64,857)</u>	<u>(85,452)</u>
Net Decrease in Cash and Cash Equivalents	(275,995)	(167,813)
Cash and Cash Equivalents at Beginning of Year	<u>1,817,804</u>	<u>1,985,617</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,541,809</u>	<u>\$ 1,817,804</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid for interest	<u>\$ 38,536</u>	<u>\$ 44,947</u>

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

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 1 - Organization and Significant Accounting Policies:

Organization

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.

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.

Take Back the Streets

Take Back the Streets (“TBS”) is a catalyst for homeless people who are able to work, providing them with immediate transitional employment and training while providing the community with vital cost saving services.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

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

Organization (Continued)

Take Back the Streets (Continued)

Services provided by TBS crews include:

- Weed/brush abatement
- Canyon and homeless encampment cleanup
- Graffiti removal
- Debris cleanup
- Outreach (homeless and gang related)
- Fire prevention
- Assisting low-income seniors with minor repairs
- Security
- Data entry
- Other opportunities available with our internal contracts

Ultimately, this program serves to get homeless individuals to their optimum level of self-sufficiency. The program was non-operational during 2013.

Transportation Services

Alpha Project's senior transportation program provides free, non-emergency transportation to low-income seniors. Destinations include by are not limited to grocery shopping, medical appointments, banking institutions, senior centers and various other locations. Transportation is provided both in the North County and the City of San Diego.

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.

Neil Good Day Center

The Neil Good Day Center, in conjunction with partnering agencies, offers case management, medical and counseling services, legal assistance, assistance with obtaining benefits such as SSI, veteran services, showers, laundry, free storage, a computer lab, mail and message services and a safe environment for homeless individuals during the day.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

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

Organization (Continued)

Winter Shelter

The program primarily provides shelter for participants from the elements during the winter months of mid-November through March, and provides shelter and services to over 1,000 men and women. Although the primary focus of the Winter Shelter program is to shelter participants from the elements during the coldest and wettest period of the year, the program also offers a comprehensive blend of services to assist participants to establish their own self-sufficiency. More than 20 different partner organizations, including private agencies, government departments, civic organizations and religious groups, work closely with Alpha Project staff to deliver basic services. Services offered at the Winter Shelter include providing meals and personal hygiene supplies, case management, medical and counseling services, employment assistance and housing assistance.

Connections Interim Housing

Alpha Project's newest program, started in January 2013, 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.

Alpha Project will be the primary food provider at Connection Housing, and will provide a work training program through our catering department for clients enrolled in the interim housing program. The kitchen will use trainees to prepare daily meals served at Connections Housing as well as special projects where they will prepare, deliver and serve meals to local community and civic organizations, corporate events and private functions throughout San Diego County.

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.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

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

Organization (Continued)

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.

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 (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.

ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

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 statement of financial position.

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 statement of financial position includes 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 San Diego Foundation is considered a Level 3 asset which represents an approximation of the discounted future cash flow based on the fair value of the underlying assets.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

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

Significant Accounting Policies (Continued)

Allowance for Doubtful Accounts

Management believes that all grants and contracts receivable were fully collectible; therefore, no allowance for doubtful accounts was recorded as of June 30, 2013 and 2012.

Contributions

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.

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 \$191,624 and \$180,875 for the years ended June 30, 2013 and 2012, 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 2013 or 2012.

ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Significant Accounting Policies (Continued)

Amortization

Loan fees totaling \$1,366 and \$3,828, net of accumulated amortization of \$10,933 and \$20,927, at June 30, 2013 and 2012, respectively, are being amortized on the straight-line method over five years. Amortization expense totaled \$2,462 and \$2,452 for the years ended June 30, 2013 and 2012, respectively.

Compensated Absences

Accumulated unpaid vacation totaling \$120,905 and \$109,342 at June 30, 2013 and 2012, respectively, is accrued when incurred and included in accrued expenses.

Revenue Recognition

Grants and contract 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.

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, 2013 and 2012, 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 \$445,426 and \$547,715 for the years ended June 30, 2013 and 2012 respectively, and have been reported as in-kind contributions and expenses.

Allocated Expenses

Expenses by function have been allocated among program and supporting services classification on the basis of internal records and estimates made by Alpha Project's management.

Income Taxes

Alpha Project is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Alpha Project believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Alpha Project is not a private foundation.

Alpha Project's Return of Organization Exempt from Income Tax for the years ended June 30, 2013, 2012, 2011, and 2010 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

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

Significant Accounting Policies (Continued)

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 statement of cash flows, Alpha Project considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Subsequent Events

In preparing these financial statements, Alpha Project has evaluated events and transactions for potential recognition or disclosure through October 8, 2013, 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 as of June 30:

	2013			Balance as of June 30, 2013
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual funds:				
Growth funds	\$ 104,845	\$ -	\$ -	\$ 104,845
Growth and income funds	35,732	-	-	35,732
Income funds	60,362	-	-	60,362
Corporate stocks:				
Domestic equities	4,368	-	-	4,368
Mortgage-backed securities	-	3,876	-	3,876
Beneficial interest in San Diego Foundation (Note 5)	-	-	50,895	50,895
	<u>\$ 205,307</u>	<u>\$ 3,876</u>	<u>\$ 50,895</u>	<u>\$ 260,078</u>

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 2 - Fair Value Measurements: (Continued)

	2012			Balance as of June 30, 2012
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual funds:				
Growth funds	\$ 114,639	\$ -	\$ -	\$ 114,639
Growth and income funds	33,397	-	-	33,397
Income funds	25,125	-	-	25,125
Managed futures fund	2,558	-	-	2,558
Corporate stocks:				
Domestic equities	2,430	-	-	2,430
Mortgage-backed securities	-	5,492	-	5,492
Beneficial interest in San Diego Foundation (Note 5)	-	-	48,316	48,316
	<u>\$ 178,149</u>	<u>\$ 5,492</u>	<u>\$ 48,316</u>	<u>\$ 231,957</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.

Note 3 - Investments:

Investments consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Mutual funds	\$ 200,939	\$ 175,719
Corporate stocks	4,368	2,430
Mortgage-backed securities	3,876	5,492
Total Investments	<u>\$ 209,183</u>	<u>\$ 183,641</u>

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

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 9,293	\$ 10,337
Net realized and unrealized gains (losses)	20,344	(16,930)
Beneficial interest in San Diego Foundation gain (loss)	4,781	(42)
Total Investment Income (Loss)	<u>\$ 34,418</u>	<u>\$ (6,635)</u>

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 4 - Grants and Contracts Receivable:

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

	<u>2013</u>	<u>2012</u>
County of San Diego	\$ 285,561	\$ 58,955
PATH - Connections	239,656	-
San Diego Housing Commission	185,602	85,223
City of San Diego	94,418	146,782
Environmental Disposal	36,162	63,140
Environmental Programs	29,400	36,750
State of California Department of Transportation	25,108	-
Crisis House	21,970	10,973
Other grants and contracts	10,989	6,578
City of Vista	7,696	4,840
SASCA Region IV	3,825	22,200
Environmental Services Department	3,635	2,440
Teen Health Centers	2,841	5,683
Parolee Partnership Program	1,575	15,165
Total Grants and Contracts Receivable	<u>\$ 948,438</u>	<u>\$ 458,729</u>

Note 5 - Beneficial Interest in San Diego Foundation:

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 in San Diego Foundation is invested in a portfolio of equity and debt securities, which is structured for long-term return consisting of 30% domestic and global equities, 24% international equities, 20% alternative investments, 14% domestic fixed income, 5% international fixed income and 7% real estate.

The activity in the beneficial interest in San Diego Foundation consisted of the following for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Balance at Beginning of Year	\$ 48,316	\$ 49,825
Investment income (loss)	4,781	(42)
Distributions	(2,202)	(1,467)
Balance at End of Year	<u>\$ 50,895</u>	<u>\$ 48,316</u>

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 6 - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Land	\$ 992,592	\$ 992,592
Buildings and improvements	1,170,763	1,120,953
Equipment, furniture and fixtures	247,443	497,089
Vehicles	<u>929,864</u>	<u>1,313,420</u>
Subtotal	3,340,662	3,924,054
Less: Accumulated depreciation	<u>(1,531,515)</u>	<u>(2,091,771)</u>
Property and Equipment, Net	<u>\$ 1,809,147</u>	<u>\$ 1,832,283</u>

Note 7 – Line-of-Credit:

Alpha Project has a line-of-credit with Wells Fargo in the amount of \$150,000 with interest at the bank's prime rate plus 1.75% (5.00% at June 30, 2013). The outstanding balance totaled \$40,059 and \$-0- at June 30, 2013 and 2012, respectively.

Note 8 - Notes Payable:

Notes payable consist of the following at June 30:

	<u>2013</u>	<u>2012</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.	\$ 187,838	\$ 237,072
Note payable to South Coast Mortgage & Investments, Inc., payable in monthly payments of \$1,065 including interest at 9.00%, due August 2013. Secured by real property.	2,370	14,345
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. Accrued interest totaled \$55,938 and \$52,188 at June 30, 2013 and 2012, respectively.	125,000	125,000
Note payable to the County of San Diego Department of Housing and Community Development, no interest payable, principal due July 2053. Secured by real property.	235,000	235,000
Note payable to Ally Bank, payable in monthly installments of \$883 including interest at -0-%, due August 2015. Secured by a vehicle.	23,986	34,647
Note payable to California Bank & Trust, payable in monthly installments of \$668 including interest at 4.46%, due June 2015. Secured by a vehicle.	14,680	21,859

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 8 - Notes Payable: (Continued)

	<u>2013</u>	<u>2012</u>
Note payable to California Bank & Trust, payable in monthly installments of \$2,421 including interest at 6.00%, due May 2019. Secured by real property.	\$ 377,537	\$ 383,421
Note payable to California Bank & Trust, payable in monthly installments of \$663 including interest at 4.25% due December 2015. Secured by a vehicle.	19,994	26,920
Note payable to California Bank & Trust, payable in monthly installments of \$663 including interest at 4.25%, due December 2015. Secured by a vehicle.	19,994	26,920
Note payable to Ally, payable in monthly installments of \$614 including interest at 3.95%. Secured by a vehicle.	27,476	-
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 California Bank & Trust, payable in monthly installments of \$575 including interest at 7.00% due November 2012. Secured by a vehicle.	-	2,755
Note payable to California Bank & Trust payable in monthly installments of \$554 including interest at 7.00%, due December 2012. Secured by a vehicle.	-	3,226
Note payable to California Bank & Trust payable in monthly installments of \$554 including interest at 7.00%, due December 2012. Secured by a vehicle.	-	4,040
Note payable to California Bank & Trust, payable in monthly installments of \$586 including interest at 7.00%, due January 2013. Secured by a vehicle.	-	4,003
Note payable to California Bank & Trust, payable in monthly installments of \$600 including interest at 7.00%, due January 2013. Secured by a vehicle.	-	4,095
Note payable to California Bank & Trust, payable in monthly installments of \$592 including interest at 7.00%, due March 2013. Secured by a vehicle.	-	4,590
Note payable to California Bank & Trust, payable in monthly installments of \$461 including interest at 7.00%, due April 2013. Secured by a vehicle.	-	4,465
Note payable to California Bank & Trust, payable in monthly installments of \$607 including interest at 7.00%, due May 2013. Secured by a vehicle.	-	6,433
Total Notes Payable	1,116,375	1,221,291
Less: Current Portion	(99,024)	(133,402)
Notes Payable, Net of Current Portion	\$ 1,017,351	\$ 1,087,889

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 8 - Notes Payable: (Continued)

Future principal payments on the notes payable are as follows:

Years Ended June 30	
2014	\$ 99,024
2015	103,407
2016	86,648
2017	42,399
2018	18,026
Thereafter	766,871
Total	<u>\$ 1,116,375</u>

Note 9 - 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:

1. The original value of gifts donated to the fund
2. The original value of Alpha Project funds transferred to the fund
3. The original value of subsequent gifts donated to the fund
4. Investment income and realized and unrealized gains and losses on investments
5. Distributions from the fund in accordance with the spending policy

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, deficiencies of the nature that are reported in unrestricted net assets totaled \$-0- and \$1,684 at June 30, 2013 and 2012, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred in the investment portfolio.

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

1. Protect the invested assets
2. Preserve spending capacity of the fund income
3. 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
4. Comply with applicable laws

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 9 - Endowment Net Assets: (Continued)

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. Given the recent market declines, many of the Foundation's endowment funds distributions will be limited to income received, which is approximately 2.5% of the endowment principal.

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>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets at June 30, 2011	\$ (175)	\$ 50,000	\$ 49,825
Net realized and unrealized depreciation	(42)	-	(42)
Appropriation of endowment assets for expenditure	<u>(1,467)</u>	<u>-</u>	<u>(1,467)</u>
Endowment Net Assets at June 30, 2012	(1,684)	50,000	48,316
Net realized and unrealized depreciation	4,781	-	4,781
Appropriation of endowment assets for expenditure	<u>(2,202)</u>	<u>-</u>	<u>(2,202)</u>
Endowment Net Assets at June 30, 2013	<u>\$ 895</u>	<u>\$ 50,000</u>	<u>\$ 50,895</u>

Note 10 - Commitments:

Operating Leases

Alpha Project leases office equipment under non-cancelable operating leases that expire at various dates through June 2016. Rental expense under these leases totaled \$33,601 and \$25,960 for the years ended June 30, 2013 and 2012, 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 \$28,116 and \$28,198 for the years ended June 30, 2013 and 2012, respectively.

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

<u>Years Ended June 30</u>	
2014	\$ 32,004
2015	23,462
2016	<u>23,462</u>
Total	<u>\$ 78,928</u>

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 10 - Commitments: (Continued)

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, 2013 and 2012.

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, 2013 or 2012.

Developer Fee

A developer fee was earned by Alpha Project for development services provided to Oxford Terrace Partners, LP, in the amount of \$660,239. Alpha Project received \$1,374 and \$157,983 as developer fee payments for the years ended June 30, 2013 and 2012, respectively.

**ALPHA PROJECT FOR THE HOMELESS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grants/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development:		
Direct Program:		
Supportive Housing Program	14.235	\$ 159,345
Total Direct Program		<u>159,345</u>
Pass-Through Programs From:		
Community Development Block Grants/Entitlement Grants: PATH	14.218	212,588
Emergency Solutions Grants Program: PATH	14.231	123,692
San Diego Housing Commission: Total Emergency Solutions Grants Program		<u>87,934</u> <u>211,626</u>
Supportive Housing Program: Crisis Housing, Inc.	14.235	131,908
Total Pass-Through Programs		<u>556,122</u>
Total U.S. Department of Housing and Urban Development		<u>715,467</u>
U.S. Department of Transportation:		
Pass-Through Program From:		
Job Access and Reverse Commute Program: State of California Department of Transportation	20.516	74,856
Total U.S. Department of Transportation		<u>74,856</u>
U.S. Department of Health and Human Services:		
Pass-Through Programs From:		
Consolidated Health Centers: Family Health Centers of San Diego	93.224	34,096
Block Grants for Prevention and Treatment of Substance Abuse: County of San Diego	93.959	369,827
Total U.S. Department of Health and Human Services		<u>403,923</u>
U.S. Department of Homeland Security:		
Pass-Through Program From:		
Emergency Food and Shelter National Board Program: United Way of America	97.024	40,170
Total U.S. Department of Homeland Security		<u>40,170</u>
Total Expenditures of Federal Awards		<u>\$ 1,234,416</u>

Note - Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Alpha Project for the Homeless and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.



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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 statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated October 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audits 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
October 8, 2013



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

Steven W. Northcote, C.P.A.
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**Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control Over
Compliance Required by OMB Circular A-133**

To the Board of Directors
Alpha Project for the Homeless

Report on Compliance for Each Major Federal Program

We have audited Alpha Project for the Homeless' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Alpha Project for the Homeless' major federal programs for the year ended June 30, 2013. Alpha Project for the Homeless' major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Alpha Project for the Homeless' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 each major federal program. However, our audit does not provide a legal determination of Alpha Project for the Homeless' compliance.

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2013.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
October 8, 2013

**ALPHA PROJECT FOR THE HOMELESS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	_____ Yes <u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes <u> X </u> No
Noncompliance material to financial statements noted?	_____ Yes <u> X </u> No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weakness(es) identified?	_____ Yes <u> X </u> No
Significant deficiencies identified not considered to be material weakness(es)?	_____ Yes <u> X </u> No
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ Yes <u> X </u> No

Identification of major programs:

<u>CDFA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/ Entitlement Grants
14.231	Emergency Shelter Grants Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>300,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> Yes _____ No

Section II - Financial Statement Findings:

None

Section III – Federal Award Findings and Questioned Costs:

None

**ALPHA PROJECT FOR THE HOMELESS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

There were no prior audit findings for Alpha Project for the Homeless relative to federal awards.



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October 8, 2013

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, 2013. Following are the filing requirements for these reports.

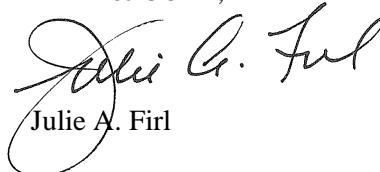
Federal Audit Clearinghouse:

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



Julie A. Firl

Enclosures