



ALPHA PROJECT FOR THE HOMELESS
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016



Leaf & Cole, LLP
Certified Public Accountants

**ALPHA PROJECT FOR THE HOMELESS
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statement of Functional Expenses - 2017	5
Consolidated Statement of Functional Expenses - 2016	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 22
Supplementary Information:	
Consolidating Schedule of Financial Position - 2017	23
Consolidating Schedule of Activities - 2017	24
Schedule of Expenditures of Federal Awards	25 - 26
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 <i>Government Auditing Standards</i>	27 - 28
Independent Auditor's Report on Compliance With Requirements for the Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	29 - 30
Schedule of Findings and Questioned Costs	31



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 Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Alpha Project for the Homeless, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alpha Project for the Homeless as of June 30, 2017 and 2016, and the changes in their net assets and their 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 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 23 to 24 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 October 24, 2017, on our consideration of Alpha Project for the Homeless's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alpha Project for the Homeless's internal control over financial reporting and compliance.

Leaf & Cole LLP

San Diego, California
October 24, 2017

**ALPHA PROJECT FOR THE HOMELESS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

ASSETS

	<u>2017</u>	<u>2016</u>
<u>Current Assets:</u> (Notes 2, 3 and 4)		
Cash and cash equivalents	\$ 914,764	\$ 697,805
Investments	303,007	242,595
Grants and contracts receivable	936,109	671,878
Prepaid expenses and deposits	7,807	110,862
Total Current Assets	<u>2,161,687</u>	<u>1,723,140</u>
<u>Noncurrent Assets:</u> (Notes 2, 5, 6 and 8)		
Deposits	1,189	1,189
Property and equipment, net	2,065,212	1,760,030
Beneficial interest in endowment funds	55,484	51,623
Total Noncurrent Assets	<u>2,121,885</u>	<u>1,812,842</u>
TOTAL ASSETS	<u><u>\$ 4,283,572</u></u>	<u><u>\$ 3,535,982</u></u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2, 7 and 8)		
Accounts payable	\$ 56,941	\$ 68,592
Accrued expenses	179,111	162,978
Line-of-credit payable	73,923	116,552
Client trust	24,527	35,285
Current portion of notes payable	46,555	61,834
Total Current Liabilities	<u>381,057</u>	<u>445,241</u>
<u>Noncurrent Liabilities:</u> (Note 8)		
Notes payable, net of current portion	864,958	834,808
Interest payable	70,938	67,187
Total Noncurrent Liabilities	<u>935,896</u>	<u>901,995</u>
Total Liabilities	<u>1,316,953</u>	<u>1,347,236</u>
<u>Commitments and Contingency</u> (Notes 11 and 12)		
<u>Net Assets:</u> (Notes 2, 9 and 10)		
Unrestricted	2,892,309	2,053,606
Temporarily restricted	24,310	85,140
Permanently restricted	50,000	50,000
Total Net Assets	<u>2,966,619</u>	<u>2,188,746</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,283,572</u></u>	<u><u>\$ 3,535,982</u></u>

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

**ALPHA PROJECT FOR THE HOMELESS
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<u>Unrestricted Net Assets:</u>		
<u>Support and Revenues:</u>		
Grants and contracts	\$ 4,876,799	\$ 3,368,163
In-kind contributions	1,876,303	1,086,372
Program revenues	1,627,332	1,592,514
Contributions	813,378	807,365
Development and leasing fees	545,672	30,062
Investment income (loss)	45,900	(3,713)
Miscellaneous income	36,424	37,958
Net assets released from restrictions	118,949	151,080
Total Support and Revenues	<u>9,940,757</u>	<u>7,069,801</u>
<u>Expenses:</u>		
<u>Program Services:</u>		
Rehabilitation program services	5,007,581	3,860,476
Housing assistance	1,646,738	324,719
Special projects	733,176	647,312
Outreach	305,028	317,103
Other programs	250,542	391,476
Alpha House	179,239	199,956
Alpha Square Pizzeria	164,207	-
Connections Interim Housing	-	709,267
Total Program Services	<u>8,286,511</u>	<u>6,450,309</u>
<u>Supporting Services:</u>		
Management and general	686,378	1,008,721
Fundraising	129,165	73,754
Total Supporting Services	<u>815,543</u>	<u>1,082,475</u>
Total Expenses	<u>9,102,054</u>	<u>7,532,784</u>
Change in Unrestricted Net Assets	<u>838,703</u>	<u>(462,983)</u>
<u>Temporarily Restricted Net Assets:</u>		
Contributions	52,175	70,009
Investment income (loss)	5,944	(1,098)
Net assets released from restrictions	(118,949)	(151,080)
Change in Temporarily Restricted Net Assets	<u>(60,830)</u>	<u>(82,169)</u>
Net Assets at Beginning of Year	<u>2,188,746</u>	<u>2,733,898</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,966,619</u>	<u>\$ 2,188,746</u>

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

**ALPHA PROJECT FOR THE HOMELESS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	Program Services							Supporting Services			
	Rehabilitation Program Services	Alpha House	Special Projects	Housing Assistance	Outreach	Other Programs	Alpha Square Pizzeria	Total Program Services	Management and General	Fund- Raising	Total Expenses
Salaries and Related Expenses:											
Salaries and wages	\$ 1,742,460	\$ 18,647	\$ 443,502	\$ 580,976	\$ 198,590	\$ 134,653	\$ 46,069	\$ 3,164,897	\$ 221,116	\$ 24,974	\$ 3,410,987
Payroll taxes and fringe benefits	440,389	3,218	118,300	149,320	39,737	36,909	10,796	798,669	59,439	6,002	864,110
Total Salaries and Related Expenses	2,182,849	21,865	561,802	730,296	238,327	171,562	56,865	3,963,566	280,555	30,976	4,275,097
Nonsalary Related Expenses:											
Advertising and marketing	484	-	170	-	401	-	8,704	9,759	59,005	14,751	83,515
Auto and truck	17,156	-	23,133	670	901	1,886	-	43,746	10,731	-	54,477
Bank fees	144	-	221	-	-	72	1,197	1,634	4,645	-	6,279
Bus tokens	-	-	-	222	-	182	-	404	-	-	404
Client Assist	1,269	-	-	557,845	8,244	6,126	-	573,484	596	-	574,080
Contracted services	55,500	-	-	164,139	-	17,800	-	237,439	1,500	-	238,939
Cost of newspapers	3,631	-	-	-	-	-	-	3,631	-	-	3,631
Depreciation	83,026	5,734	10,125	-	18,155	5,185	6,597	128,822	14,664	-	143,486
Drug testing	32,198	-	-	-	-	-	-	32,198	-	-	32,198
Dues and subscriptions	5,857	-	415	1,964	599	24	332	9,191	5,359	-	14,550
Equipment rental	45,893	-	4,780	6,177	-	1,056	291	58,197	29,508	-	87,705
Food	329,735	10,265	180	1,030	1,766	1,489	29,659	374,124	143	-	374,267
Fundraising	-	-	-	-	-	-	-	-	-	57,845	57,845
Gasoline	54,276	-	17,692	3,897	11,154	6,760	-	93,779	11,904	-	105,683
In-kind expenses	1,706,852	123,985	-	-	6,410	9,668	-	1,846,915	29,388	-	1,876,303
Insurance	55,071	2,594	19,283	8,107	4,422	2,902	1,919	94,298	19,561	-	113,859
Interest	12,137	-	16,880	-	1,436	-	2,248	32,701	-	-	32,701
Licenses and fees	57,042	61	6,343	502	2,355	340	3,947	70,590	4,723	-	75,313
Medical expense	703	-	510	212	-	2,163	93	3,681	44,189	-	47,870
Meetings	1,481	-	-	916	634	1,557	-	4,588	41,492	-	46,080
Miscellaneous	5,805	266	650	455	200	7,737	912	16,025	63,070	-	79,095
Office expense	14,216	-	694	6,369	1,221	-	1,433	23,933	3,929	-	27,862
Parking	2,932	-	576	4,327	34	896	-	8,765	1,441	-	10,206
Postage	3,298	-	633	772	-	-	775	5,478	820	43	6,341
Professional fees	19,845	-	1,971	76,172	2,000	4,995	16,746	121,729	39,221	-	160,950
Property taxes	46,498	-	1,314	-	-	-	-	47,812	-	-	47,812
Rent	17,046	-	2,796	22,877	-	92	-	42,811	9,521	-	52,332
Repairs and maintenance	15,121	793	20,025	6,946	-	-	1,911	44,796	105	-	44,901
Stipends	53,105	-	-	-	-	100	-	53,205	-	-	53,205
Supplies	44,559	5,656	26,071	8,866	4,294	5,461	20,182	115,089	591	25,006	140,686
Supplies - Books	6,026	-	-	-	-	-	-	6,026	-	-	6,026
Technology	8,382	-	1,968	2,502	-	467	17	13,336	1,360	-	14,696
Telephone	39,518	-	7,425	5,948	2,475	845	213	56,424	2,178	544	59,146
Training	940	-	-	1,780	-	-	-	2,720	200	-	2,920
Trash	16,864	-	3,345	-	-	-	-	20,209	-	-	20,209
Travel	773	-	-	9,616	-	583	-	10,972	5,536	-	16,508
Uniforms	5,253	-	1,231	-	-	-	2,089	8,573	-	-	8,573
Utilities	62,096	4,687	2,943	24,131	-	594	8,077	102,528	443	-	102,971
Vending machine	-	3,333	-	-	-	-	-	3,333	-	-	3,333
Total Expenses	\$ 5,007,581	\$ 179,239	\$ 733,176	\$ 1,646,738	\$ 305,028	\$ 250,542	\$ 164,207	\$ 8,286,511	\$ 686,378	\$ 129,165	\$ 9,102,054

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

**ALPHA PROJECT FOR THE HOMELESS
CONSOLIDATED 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	Housing Assistance	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	26,138	-	141,824
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	959	-	31,174
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
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 777,873	\$ (545,152)
Adjustments to reconcile change in net assets to net cash provided by (used in) operations:		
Depreciation	143,486	141,824
Amortization of debt issuance costs	-	50
Net realized and unrealized (gains) losses on investments	(34,993)	4,214
Gain on sale of property and equipment	(13,300)	-
Beneficial interest in endowment funds (gain) loss	(5,944)	1,098
(Increase) Decrease in:		
Grants and contracts receivable	(264,231)	(21,177)
Prepaid expenses and deposits	103,055	(21,870)
Increase (Decrease) in:		
Accounts payable	(11,651)	18,629
Accrued expenses	16,133	(127,290)
Client trust	(10,758)	5,295
Interest payable	3,751	3,749
Net Cash Provided by (Used in) Operating Activities	<u>703,421</u>	<u>(540,630)</u>
<u>Cash Flows From Investing Activities:</u>		
Sale (Purchase) of investments, net	(25,419)	3,850
Proceeds from disposal of property and equipment	13,300	-
Purchase of property and equipment	(448,668)	(252,574)
Change in beneficial interest in endowment funds	2,083	2,282
Net Cash Used in Investing Activities	<u>(458,704)</u>	<u>(246,442)</u>
<u>Cash Flows From Financing Activities:</u>		
(Repayments of) Proceeds from line-of-credit, net	(42,629)	100,249
Proceeds from notes payable	85,692	-
Repayments on notes payable	(70,821)	(66,752)
Net Cash (Used in) Provided by Financing Activities	<u>(27,758)</u>	<u>33,497</u>
Net Increase (Decrease) in Cash and Cash Equivalents	216,959	(753,575)
Cash and Cash Equivalents at Beginning of Year	<u>697,805</u>	<u>1,451,380</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 914,764</u>	<u>\$ 697,805</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid for interest	<u>\$ 28,950</u>	<u>\$ 27,375</u>

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

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

Note 1 - Organization:

The consolidated financial statements include the following entities:

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 Square Pizzeria”) was incorporated as a single member limited liability corporation on June 8, 2016. Alpha Square Pizzeria opened for business in April 2017 and had no activity for the year ended June 30, 2016. The purpose of Alpha Square Pizzeria is to produce a great product as well as to support the residents in the permanent supportive housing building in Alpha Square. Alpha Square Pizzeria is located below Alpha Square, a 203 unit housing complex for people who once lived on the street. Residents of Alpha Square have the opportunity to help out in the pizzeria as paid interns which will help to equip them with skills so they can continue working in the food industry. Proceeds from Alpha Square Pizzeria will also help fund a future project involving a larger kitchen and work training program.

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 CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

Note 1 - Organization: (Continued)

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.

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.

Housing Assistance

Home Finder Program

The Home Finder Program ("Home Finder") is funded by the County of San Diego Behavioral Health Services (BHS). Home Finder serves clients who are homeless and are experiencing serious mental illness and are connected to designated outpatient County of San Diego B.H.S clinics. Home Finder is responsible for the provision of housing identification, housing navigation, supportive services and trainings. Home Finder has Housing Navigators who coordinate, broker, schedule appropriate client services with external medical, dental, and housing to meet client's needs. Our dedicated Housing Locator is responsible for housing identification including market rate, affordable housing, shared housing, and permanent supportive housing. The Housing Locator and Community Engagement Coordinator attend regional landlord meetings and develop relationships with community landlords. Home Finder staff meets with clients at the designated (Areta Crowell & North Central Mental Health) clinics.

Program Criteria:

- 18 years or older.
- Being treated at identified outpatient County of San Diego clinics.
- Homeless or unstably housed.

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.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

Note 1 - 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.

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.

Permanent Supportive Housing

Alpha Project's Permanent Supportive Housing Program is located at 550 14th Street in Downtown San Diego and includes 203 safe, high-quality, affordable and sustainable housing units. Alpha Square is unique in that the clients have access to on-site support services to address needs such as mental health counseling, addiction counseling, enrolling in benefits, financial support and access to long-term treatment and other services. Having direct access to these kinds of services will allow our clients to maintain their housing and become self-sufficient.

Note 2 - Significant Accounting Policies:

Consolidated Financial Statements

The consolidated financial statements include the accounts of Alpha Project for the Homeless and Alpha Square Pizzeria and Deli, LLC, which are collectively referred to as "Alpha Project". All material intercompany transactions have been eliminated in consolidation.

ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 2 - Significant Accounting Policies (Continued)

Accounting Method

The consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated statements of financial position.

ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 2 - Significant Accounting Policies : (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 consolidated 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 (Note 6).

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, 2017 and 2016.

ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 2 - 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 \$143,486 and \$141,824 for the years ended June 30, 2017 and 2016, 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 2017 and 2016.

Compensated Absences

Accumulated unpaid vacation totaling \$153,833 and \$127,106 at June 30, 2017 and 2016, respectively, is accrued when incurred and included in accrued expenses.

ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 2 - 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, 2017 and 2016, 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 \$1,876,303 and \$1,086,372 for the years ended June 30, 2017 and 2016 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 consolidated 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.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

Note 2 - Significant Accounting Policies : (Continued)

Subsequent Events

Alpha Project has evaluated subsequent events through October 24, 2017, which is the date the consolidated financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

Note 3 - Fair Value Measurements:

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

	2017			Balance at June 30, 2017
	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	\$ 173,534	\$ -	\$ -	\$ 173,534
Growth and income funds	48,990	-	-	48,990
Income funds	49,448	-	-	49,448
Corporate stocks:				
Domestic equities	29,398	-	-	29,398
Mortgage-backed securities	-	1,637	-	1,637
Beneficial interest in endowment funds (Note 6)	-	-	55,484	55,484
	<u>\$ 301,370</u>	<u>\$ 1,637</u>	<u>\$ 55,484</u>	<u>\$ 358,491</u>
	2016			Balance 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)	
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 6)	-	-	51,623	51,623
	<u>\$ 240,523</u>	<u>\$ 2,072</u>	<u>\$ 51,623</u>	<u>\$ 294,218</u>

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

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

Note 3 - 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:

		2017		
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 55,484	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A

		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

Note 4 - Investments:

Investments consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Mutual funds	\$ 271,972	\$ 228,982
Corporate stocks	29,398	11,541
Mortgage-backed securities	1,637	2,072
Total Investments	<u>\$ 303,007</u>	<u>\$ 242,595</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>
Interest and dividends	\$ 14,598	\$ -	\$ 14,598
Net realized and unrealized gains	34,993	5,944	40,937
Investment fees	(3,691)	-	(3,691)
Total Investment Income	<u>\$ 45,900</u>	<u>\$ 5,944</u>	<u>\$ 51,844</u>

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

Note 4 - Investments: (Continued)

	<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>

Note 5 - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Land	\$ 992,592	\$ 992,592
Buildings and improvements	1,470,314	1,222,231
Equipment, furniture and fixtures	416,927	309,974
Vehicles	1,143,355	1,132,290
Construction in progress	6,645	93,685
Subtotal	<u>4,029,833</u>	<u>3,750,772</u>
Less: Accumulated depreciation	<u>(1,964,621)</u>	<u>(1,990,742)</u>
Property and Equipment, Net	<u>\$ 2,065,212</u>	<u>\$ 1,760,030</u>

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 28% international equities, 24% domestic equities, 20% alternative investments, 17% fixed income, 7% real estate and 4% commodities.

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

	<u>2017</u>	<u>2016</u>
Balance at Beginning of Year	\$ 51,623	\$ 55,003
Investment gain (loss)	5,944	(1,098)
Distributions	(2,083)	(2,282)
Balance at End of Year	<u>\$ 55,484</u>	<u>\$ 51,623</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% (6% at June 30, 2017). The outstanding balance totaled \$73,723 and \$116,552 at June 30, 2017 and 2016, respectively.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

Note 8 - Notes Payable:

Notes payable consist of the following at June 30:

	<u>2017</u>	<u>2016</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
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 \$70,938 and \$67,187 at June 30, 2017 and 2016, 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.	346,050	354,806
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.	274	7,479
Note payable to Ally, payable in monthly installments of \$594 including interest at 3.95% due January 2019. Secured by a vehicle.	10,347	16,897
Note payable to Ally payable in monthly installments of \$593 including interest at 2.94%, due February 2019. Secured by a vehicle.	11,539	18,204
Note payable to Ally Bank & Trust, payable in monthly installments of \$637 including interest at 3.35%, due November 2020. Secured by a vehicle.	24,063	30,817
Note payable to Ford Credit, payable in monthly installments of \$513 including interest at 4.39%. Secured by a vehicle.	25,192	-
Note payable to Ford Credit, payable in monthly installments of \$513 including interest at 3.39%. Secured by a vehicle.	25,193	-

(Continued)

ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 8 - Notes Payable: (Continued)

	<u>2017</u>	<u>2016</u>
Note payable to GM Financial, payable in monthly installments of \$556 including interest at 3.39%. Secured by a vehicle.	\$ <u>26,355</u>	\$ <u>-</u>
Total Notes Payable	911,513	896,642
Less: Current Portion	<u>(46,555)</u>	<u>(61,834)</u>
Notes Payable, Net of Current Portion	<u>\$ 864,958</u>	<u>\$ 834,808</u>

Future principal payments on the notes payable are as follows:

<u>Years Ended</u> <u>June 30</u>	
2018	\$ 46,555
2019	42,063
2020	35,296
2021	31,685
2022	736,644
Thereafter	<u>19,270</u>
Total	<u>\$ 911,513</u>

Note 9 - Temporarily Restricted Net Assets:

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

	<u>2017</u>	<u>2016</u>
Hospice	\$ 18,241	\$ 35,989
Unappropriated endowment earnings	5,484	1,623
Vehicle	585	-
Facility improvements / Father Joe's Villages	<u>-</u>	<u>47,528</u>
Total Temporarily Restricted Net Assets	<u>\$ 24,310</u>	<u>\$ 85,140</u>

Net assets totaling \$118,950 and \$151,080 were released from donor restrictions during the years ended June 30, 2017 and 2016, respectively, by incurring expenses satisfying the purpose or time restrictions specified by donors.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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, 2017 and 2016.

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>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	<u>(2,282)</u>	<u>-</u>	<u>(2,282)</u>
Endowment Net Assets at June 30, 2016	1,623	50,000	51,623
Net realized and unrealized appreciation	5,944	-	5,944
Appropriation of endowment assets for expenditure	<u>(2,083)</u>	<u>-</u>	<u>(2,083)</u>
Endowment Net Assets at June 30, 2017	<u>\$ 5,484</u>	<u>\$ 50,000</u>	<u>\$ 55,484</u>

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

Note 11 - Commitments:

Operating Leases

Alpha Project leases equipment under non-cancelable operating leases that expire at various dates through July 2019. Rental expense under these leases totaled \$50,316 and \$44,460 for the years ended June 30, 2017 and 2016, 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 \$52,332 and \$40,983 for the years ended June 30, 2017 and 2016, respectively.

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

Years Ended June 30		
2018	\$	54,849
2019		20,240
2020		486
Total	\$	75,575

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, 2017 and 2016.

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, 2017 and 2016.

Development and Other 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, 2017 and 2016. Alpha Project did not receive any developer fee payments for the years ended June 30, 2017 and 2016.

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, 2017 and 2016. Alpha Project did not receive any developer fee payments for the years ended June 30, 2017 and 2016.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

Note 11 - Commitments: (Continued)

Development and Other Fees (Continued)

Alpha Project has an agreement with Chelsea Investment Corporation to provide development services for Alpha Square 9% and Alpha Square 4%. Alpha Project received \$343,701 and \$-0- for developer fees and \$200,000 and \$-0- for incentive leasing fees, for the years ended June 30, 2017 and 2016, 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, 2017 and 2016.

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.

**ALPHA PROJECT FOR THE HOMELESS
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

	ASSETS			
	Alpha Project for the Homeless	Alpha Square Pizzeria and Deli, LLC	Eliminations	Consolidated
<u>Current Assets:</u>				
Cash and cash equivalents	\$ 875,979	\$ 38,785	\$ -	\$ 914,764
Investments	303,007	-	-	303,007
Grants and contracts receivable	936,109	-	-	936,109
Note Receivable	497,787	-	(497,787)	-
Prepaid expenses and deposits	7,807	-	-	7,807
Total Current Assets	<u>2,620,689</u>	<u>38,785</u>	<u>(497,787)</u>	<u>2,161,687</u>
<u>Noncurrent Assets:</u>				
Deposits	1,189	-	-	1,189
Property and equipment, net	1,729,148	336,064	-	2,065,212
Beneficial interest in endowment funds	55,484	-	-	55,484
Total Noncurrent Assets	<u>1,785,821</u>	<u>336,064</u>	<u>-</u>	<u>2,121,885</u>
TOTAL ASSETS	<u>\$ 4,406,510</u>	<u>\$ 374,849</u>	<u>\$ (497,787)</u>	<u>\$ 4,283,572</u>
LIABILITIES AND NET ASSETS				
<u>Current Liabilities:</u>				
Accounts payable	\$ 53,613	\$ 3,328	\$ -	\$ 56,941
Accrued expenses	175,939	3,172	-	179,111
Line-of-credit payable	73,923	-	-	73,923
Client trust	24,527	-	-	24,527
Current portion of notes payable	46,555	-	-	46,555
Total Current Liabilities	<u>374,557</u>	<u>6,500</u>	<u>-</u>	<u>381,057</u>
<u>Noncurrent Liabilities:</u>				
Notes payable, net of current portion	864,958	497,787	(497,787)	864,958
Interest payable	70,938	-	-	70,938
Total Noncurrent Liabilities	<u>935,896</u>	<u>497,787</u>	<u>(497,787)</u>	<u>935,896</u>
Total Liabilities	<u>1,310,453</u>	<u>504,287</u>	<u>(497,787)</u>	<u>1,316,953</u>
<u>Net Assets:</u>				
Unrestricted	3,021,747	(129,438)	-	2,892,309
Temporarily restricted	24,310	-	-	24,310
Permanently restricted	50,000	-	-	50,000
Total Net Assets	<u>3,096,057</u>	<u>(129,438)</u>	<u>-</u>	<u>2,966,619</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,406,510</u>	<u>\$ 374,849</u>	<u>\$ (497,787)</u>	<u>\$ 4,283,572</u>

**ALPHA PROJECT FOR THE HOMELESS
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	Alpha Project for the Homeless	Alpha Square Pizzeria and Deli, LLC	Eliminations	Consolidated
<u>Support and Revenues:</u>				
Grants and contracts	\$ 4,876,799	\$ -	\$ -	\$ 4,876,799
In-kind contributions	1,876,303	-	-	1,876,303
Program revenues	1,592,813	34,519	-	1,627,332
Contributions	865,303	250	-	865,553
Development and leasing fees	545,672	-	-	545,672
Miscellaneous income	36,424	-	-	36,424
Investment income	51,844	-	-	51,844
Total Support and Revenues	<u>9,845,158</u>	<u>34,769</u>	<u>-</u>	<u>9,879,927</u>
<u>Expenses:</u>				
Program Services:				
Rehabilitation program services	5,007,581	-	-	5,007,581
Housing assistance	1,646,738	-	-	1,646,738
Special projects	733,176	-	-	733,176
Outreach	305,028	-	-	305,028
Other programs	250,542	-	-	250,542
Alpha House	179,239	-	-	179,239
Alpha Square Pizzeria	-	164,207	-	164,207
Total Program Services	<u>8,122,304</u>	<u>164,207</u>	<u>-</u>	<u>8,286,511</u>
Supporting Services:				
Management and general	686,378	-	-	686,378
Fundraising	129,165	-	-	129,165
Total Supporting Services	<u>815,543</u>	<u>-</u>	<u>-</u>	<u>815,543</u>
Total Expenses	<u>8,937,847</u>	<u>164,207</u>	<u>-</u>	<u>9,102,054</u>
Change in Net Assets	907,311	(129,438)	-	777,873
Net Assets at Beginning of Year	<u>2,188,746</u>	<u>-</u>	<u>-</u>	<u>2,188,746</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,096,057</u>	<u>\$ (129,438)</u>	<u>\$ -</u>	<u>\$ 2,966,619</u>

**ALPHA PROJECT FOR THE HOMELESS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

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	CA0818L9D011507	\$ -	\$ 147,620
Continuum of Care Program		CA1508L9D011500	-	423,518
Total Direct Program			<u>-</u>	<u>571,138</u>
Pass-Through Programs From:				
Emergency Solutions Grant Program:	14.231			
San Diego Housing Commission		SHI-13-12.3	-	80,634
Total Emergency Solutions Grant Program			<u>-</u>	<u>80,634</u>
Continuum of Care Program:	14.267			
Crisis Housing, Inc.		CA0695L9D011407	-	56,833
San Diego Housing Commission		CA1208L9D011502	-	100,602
Total Continuum of Care Program			<u>-</u>	<u>157,435</u>
Total Pass-Through Programs			<u>-</u>	<u>238,069</u>
Total U.S. Department of Housing and Urban Development			<u>-</u>	<u>809,207</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>\$ 1,251,304</u>

**ALPHA PROJECT FOR THE HOMELESS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017. 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 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
A Partnership of Professional Corporations

**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 consolidated financial statements of Alpha Project for the Homeless, which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated October 24, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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' consolidated 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 24, 2017



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

**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, 2017. 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, 2017.

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
October 24, 2017

**ALPHA PROJECT FOR THE HOMELESS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued on whether the consolidated 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 consolidated 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</u>	<u>Name of Federal Program or Cluster</u>
14.267	Continuum of Care Program
Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>750,000</u>
Auditee qualified as low-risk auditee?	_____ X Yes _____ No

Section II - Financial Statement Findings:

None

Section III - Federal Award Findings and Questioned Costs:

None