



**ALPHA PROJECT FOR THE HOMELESS
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**



Leaf & Cole, LLP
Certified Public Accountants

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

Independent Auditor's Report

To the Board of Directors
Alpha Project for the Homeless

Report on the 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, 2019 and 2018, 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, 2019 and 2018, 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 26 to 27 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*, 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 January 7, 2020, 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 the effectiveness of Alpha Project for the Homeless' 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
January 7, 2020

**ALPHA PROJECT FOR THE HOMELESS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

| ASSETS | | |
|---|----------------------------|----------------------------|
| | <u>2019</u> | <u>2018</u> |
| <u>Current Assets:</u> (Notes 2, 4 and 5) | | |
| Cash and cash equivalents | \$ 4,485,227 | \$ 3,565,052 |
| Investments | 380,049 | 340,983 |
| Grants and contracts receivable | 1,981,508 | 1,020,797 |
| Prepaid expenses | 180,930 | 23,246 |
| Total Current Assets | <u>7,027,714</u> | <u>4,950,078</u> |
| <u>Noncurrent Assets:</u> (Notes 2, 6, 7 and 9) | | |
| Deposits | 1,189 | 1,189 |
| Property and equipment, net | 2,217,177 | 2,154,845 |
| Beneficial interest in endowment funds | 56,170 | 56,593 |
| Total Noncurrent Assets | <u>2,274,536</u> | <u>2,212,627</u> |
| TOTAL ASSETS | <u>\$ 9,302,250</u> | <u>\$ 7,162,705</u> |
| LIABILITIES AND NET ASSETS | | |
| <u>Current Liabilities:</u> (Notes 2, 8 and 9) | | |
| Accounts payable | \$ 120,155 | \$ 150,330 |
| Accrued expenses | 339,933 | 386,925 |
| Deferred revenue | 38,430 | 108,746 |
| Line-of-credit payable | - | 28,318 |
| Client trust | 1,251 | 18,654 |
| Current portion of notes payable | 365,769 | 379,846 |
| Total Current Liabilities | <u>865,538</u> | <u>1,072,819</u> |
| <u>Noncurrent Liabilities:</u> (Note 9) | | |
| Notes payable, net of current portion | 504,871 | 540,901 |
| Interest payable | 78,438 | 74,687 |
| Total Noncurrent Liabilities | <u>583,309</u> | <u>615,588</u> |
| Total Liabilities | <u>1,448,847</u> | <u>1,688,407</u> |
| <u>Commitments and Contingency</u> (Notes 12 and 13) | | |
| <u>Net Assets:</u> (Notes 2, 10 and 11) | | |
| Without Donor Restrictions | <u>7,637,079</u> | <u>5,385,893</u> |
| With Donor Restrictions: | | |
| Purpose restriction | 160,154 | 31,812 |
| Time restriction | 6,070 | 6,593 |
| Perpetual in nature | 50,100 | 50,000 |
| Total Net Assets With Donor Restrictions | <u>216,324</u> | <u>88,405</u> |
| Total Net Assets | <u>7,853,403</u> | <u>5,474,298</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 9,302,250</u> | <u>\$ 7,162,705</u> |

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

**ALPHA PROJECT FOR THE HOMELESS
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

| | 2019 | | | 2018 | | |
|---------------------------------------|----------------------------------|-------------------------------|---------------------|----------------------------------|-------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| <u>Support and Revenues:</u> | | | | | | |
| Grants and contracts | \$ 14,010,350 | \$ - | \$ 14,010,350 | \$ 7,888,924 | \$ - | \$ 7,888,924 |
| Program revenues | 1,959,051 | - | 1,959,051 | 2,265,248 | - | 2,265,248 |
| In-kind contributions | 1,757,375 | - | 1,757,375 | 1,743,782 | - | 1,743,782 |
| Contributions | 836,226 | 149,105 | 985,331 | 1,390,664 | 29,540 | 1,420,204 |
| Development and other fees | 873,427 | - | 873,427 | 1,754,682 | - | 1,754,682 |
| Investment income | 38,643 | 1,859 | 40,502 | 43,121 | 3,470 | 46,591 |
| Miscellaneous income | 20,019 | - | 20,019 | 29,049 | - | 29,049 |
| Net assets released from restrictions | 23,045 | (23,045) | - | 18,915 | (18,915) | - |
| Total Support and Revenues | <u>19,518,136</u> | <u>127,919</u> | <u>19,646,055</u> | <u>15,134,385</u> | <u>14,095</u> | <u>15,148,480</u> |
| <u>Expenses:</u> | | | | | | |
| Program Services: | | | | | | |
| Rehabilitation program services | 5,267,648 | - | 5,267,648 | 4,838,092 | - | 4,838,092 |
| Temporary bridge shelter | 4,585,218 | - | 4,585,218 | 2,624,043 | - | 2,624,043 |
| Housing assistance | 2,546,494 | - | 2,546,494 | 2,317,598 | - | 2,317,598 |
| Other programs | 1,935,384 | - | 1,935,384 | 434,194 | - | 434,194 |
| Special projects | 1,141,998 | - | 1,141,998 | 801,815 | - | 801,815 |
| Cortez Hill family center | 442,075 | - | 442,075 | - | - | - |
| Outreach | 357,768 | - | 357,768 | 291,638 | - | 291,638 |
| Alpha House | 62,631 | - | 62,631 | 195,096 | - | 195,096 |
| Alpha Lofts | 57,594 | - | 57,594 | - | - | - |
| Alpha Square Pizzeria | 44,865 | - | 44,865 | 225,876 | - | 225,876 |
| Total Program Services | <u>16,441,675</u> | <u>-</u> | <u>16,441,675</u> | <u>11,728,352</u> | <u>-</u> | <u>11,728,352</u> |
| Supporting Services: | | | | | | |
| Management and general | 722,151 | - | 722,151 | 819,576 | - | 819,576 |
| Fundraising | 103,124 | - | 103,124 | 92,873 | - | 92,873 |
| Total Supporting Services | <u>825,275</u> | <u>-</u> | <u>825,275</u> | <u>912,449</u> | <u>-</u> | <u>912,449</u> |
| Total Expenses | <u>17,266,950</u> | <u>-</u> | <u>17,266,950</u> | <u>12,640,801</u> | <u>-</u> | <u>12,640,801</u> |
| Change in Net Assets | 2,251,186 | 127,919 | 2,379,105 | 2,493,584 | 14,095 | 2,507,679 |
| Net Assets at Beginning of Year | <u>5,385,893</u> | <u>88,405</u> | <u>5,474,298</u> | <u>2,892,309</u> | <u>74,310</u> | <u>2,966,619</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 7,637,079</u> | <u>\$ 216,324</u> | <u>\$ 7,853,403</u> | <u>\$ 5,385,893</u> | <u>\$ 88,405</u> | <u>\$ 5,474,298</u> |

The accompanying notes are an integral part of the consolidated financial statements. 4

**ALPHA PROJECT FOR THE HOMELESS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

| | Program Services | | | | | | | | | | Supporting Services | | | |
|---------------------------------------|---------------------------------|---------------------|--------------------------|---------------------|---------------------------|------------------|---------------------|-------------------|------------------|-----------------------|------------------------|------------------------|-------------------|----------------------|
| | Rehabilitation Program Services | Housing Assistance | Temporary Bridge Shelter | Special Projects | Cortez Hill Family Center | Alpha Lofts | Other Programs | Outreach | Alpha House | Alpha Square Pizzeria | Total Program Services | Management and General | Fund-Raising | Total Expenses |
| Salaries and Related Expenses: | | | | | | | | | | | | | | |
| Salaries and wages | \$ 2,202,281 | \$ 993,042 | \$ 2,665,746 | \$ 788,986 | \$ 257,147 | \$ 39,450 | \$ 682,930 | \$ 230,122 | \$ 10,120 | \$ - | \$ 7,869,824 | \$ 374,876 | \$ 29,283 | \$ 8,273,983 |
| Payroll taxes and fringe benefits | 501,111 | 244,055 | 541,212 | 203,498 | 54,501 | 7,942 | 146,869 | 44,413 | 1,879 | - | 1,745,480 | (170,356) | 7,079 | 1,582,203 |
| Total Salaries and Related Expenses | 2,703,392 | 1,237,097 | 3,206,958 | 992,484 | 311,648 | 47,392 | 829,799 | 274,535 | 11,999 | - | 9,615,304 | 204,520 | 36,362 | 9,856,186 |
| Nonsalary Related Expenses: | | | | | | | | | | | | | | |
| Advertising and marketing | 331 | - | - | - | 284 | - | 6,012 | - | - | - | 6,627 | 55,559 | 13,890 | 76,076 |
| Auto and truck | 20,072 | 42 | 14,897 | 19,005 | 810 | - | 4,851 | 5,769 | - | - | 65,446 | 16,428 | - | 81,874 |
| Bank fees | 72 | 780 | - | - | 12 | - | 647 | - | - | 7 | 1,518 | 6,670 | - | 8,188 |
| Bus tokens | 65 | 417 | 4,158 | - | - | - | 564 | - | - | - | 5,204 | - | - | 5,204 |
| Client assist | 1,707 | 940,702 | 156 | - | 89 | - | 491,155 | 825 | - | - | 1,434,634 | - | - | 1,434,634 |
| Contracted services | 4,500 | 85,000 | - | - | - | - | 102,674 | - | - | - | 192,174 | 7,500 | - | 199,674 |
| Depreciation | 94,526 | 7,654 | 16,427 | 1,207 | 4,370 | 112 | 12,888 | 29,595 | 1,225 | 26,388 | 194,392 | 20,262 | - | 214,654 |
| Drug testing | 19,523 | - | - | - | - | - | - | - | - | - | 19,523 | - | - | 19,523 |
| Dues and subscriptions | 1,440 | 441 | 850 | 142 | 50 | - | 1,355 | 57 | - | - | 4,335 | 8,781 | - | 13,116 |
| Equipment rental | 33,608 | 10,874 | 15,125 | 5,800 | 2,203 | 760 | 1,118 | 368 | - | - | 69,856 | 65,460 | - | 135,316 |
| Food | 377,780 | 4,405 | 760,619 | - | 54,730 | 1 | 216,314 | 7,172 | 9,104 | - | 1,430,125 | 627 | - | 1,430,752 |
| Fundraising | - | - | - | - | - | - | - | - | - | - | - | - | 46,448 | 46,448 |
| Gasoline | 45,328 | 3,234 | 20,250 | 39,459 | - | - | 1,590 | 18,184 | - | - | 128,045 | 16,654 | - | 144,699 |
| In-kind expenses | 1,491,209 | 13,943 | 126,000 | - | 784 | 2,068 | 84,869 | 2,374 | 29,793 | - | 1,751,040 | 6,335 | - | 1,757,375 |
| Insurance | 55,620 | 9,676 | 16,862 | 19,491 | 2,106 | - | 5,737 | 5,993 | 3,572 | 3,510 | 122,567 | 46,240 | - | 168,807 |
| Interest | 5,502 | 1,129 | - | 15,351 | - | - | - | 1,739 | - | 5,990 | 29,711 | - | - | 29,711 |
| Licenses and fees | 59,178 | 1,072 | 2,071 | 5,440 | 606 | - | 1,814 | 2,385 | 64 | 1,752 | 74,382 | 5,279 | - | 79,661 |
| Medical expense | 1,030 | - | 273 | - | - | - | 55 | - | - | - | 1,358 | 46,948 | - | 48,306 |
| Meetings | 764 | 2,268 | 2,979 | - | 1,403 | 2,622 | - | - | - | - | 10,036 | 40,693 | - | 50,729 |
| Miscellaneous | 6,766 | 450 | 1,610 | 700 | 220 | - | 3,962 | 700 | 33 | 2,275 | 16,016 | 53,409 | - | 69,425 |
| Office expense | 16,922 | 6,097 | 10,064 | 220 | 2,887 | 2,490 | 3,577 | 1,282 | - | - | 43,539 | 8,108 | - | 51,647 |
| Parking | 1,923 | 797 | 1,278 | 220 | - | 37 | 481 | 113 | - | - | 4,849 | 2,005 | - | 6,854 |
| Postage | 1,449 | 416 | 948 | 158 | - | 25 | 190 | 63 | - | - | 3,249 | 4,671 | 246 | 8,166 |
| Professional fees | 31,970 | 61,619 | 10,845 | 1,115 | 808 | 55 | 16,373 | 2,746 | - | 2,000 | 127,531 | 20,529 | - | 148,060 |
| Property taxes | 35,675 | - | - | 1,503 | - | - | - | - | - | - | 37,178 | - | - | 37,178 |
| Rent | 19,669 | 42,150 | 10,742 | 2,027 | 5,707 | - | 30,462 | 715 | - | - | 111,472 | 10,159 | - | 121,631 |
| Repairs and maintenance | 27,732 | - | 9,006 | 8,173 | 8,596 | - | 2,831 | - | 852 | - | 57,190 | 23,105 | - | 80,295 |
| Stipends | 8,495 | - | 2,450 | - | - | - | 62,663 | - | - | - | 73,608 | - | - | 73,608 |
| Supplies | 66,255 | 19,060 | 292,311 | 17,364 | 15,849 | 1,444 | 23,899 | 2,643 | 241 | - | 439,066 | 24,322 | 6,080 | 469,468 |
| Supplies - Books | 13,739 | - | - | - | - | - | - | - | - | - | 13,739 | - | - | 13,739 |
| Technology | 4,403 | 1,535 | 3,294 | 489 | 932 | 5 | 584 | 182 | - | - | 11,424 | 283 | - | 11,707 |
| Telephone | 20,314 | 6,460 | 12,894 | 2,308 | 111 | - | 3,109 | 923 | - | - | 46,119 | 1,857 | 98 | 48,074 |
| Training | 3,235 | 240 | 325 | - | - | - | 175 | - | - | - | 3,975 | 105 | - | 4,080 |
| Trash | 17,418 | - | 26,436 | 6,293 | 5,493 | - | - | - | - | - | 55,640 | 115 | - | 55,755 |
| Travel | 586 | 30,702 | 280 | - | - | 583 | 24,607 | - | - | - | 56,758 | 11,015 | - | 67,773 |
| Uniforms | 6,069 | - | 1,367 | - | - | - | - | - | - | - | 7,436 | 14,402 | - | 21,838 |
| Utilities | 69,381 | 58,234 | 13,743 | 3,049 | 22,377 | - | 1,029 | 105 | 5,682 | 2,943 | 176,543 | 110 | - | 176,653 |
| Vending machine | - | - | - | - | - | - | - | - | 66 | - | 66 | - | - | 66 |
| Total Expenses | \$ 5,267,648 | \$ 2,546,494 | \$ 4,585,218 | \$ 1,141,998 | \$ 442,075 | \$ 57,594 | \$ 1,935,384 | \$ 357,768 | \$ 62,631 | \$ 44,865 | \$ 16,441,675 | \$ 722,151 | \$ 103,124 | \$ 17,266,950 |

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

**ALPHA PROJECT FOR THE HOMELESS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

| | Program Services | | | | | | | | Supporting Services | | | |
|---------------------------------------|---------------------------------------|-----------------------|---------------------------------|---------------------|-------------------|-------------------|-------------------|-----------------------------|---------------------------|---------------------------|------------------|----------------------|
| | Rehabilitation Program Services | Housing Assistance | Temporary Bridge Shelters | Special Projects | Other Programs | Outreach | Alpha House | Alpha Square Pizzeria | Total Program Services | Management and General | Fund- Raising | Total Expenses |
| Salaries and Related Expenses: | | | | | | | | | | | | |
| Salaries and wages | \$ 1,782,221 | \$ 828,458 | \$ 1,409,989 | \$ 474,449 | \$ 165,733 | \$ 182,133 | \$ 16,706 | \$ 65,029 | \$ 4,924,718 | \$ 314,085 | \$ 25,614 | \$ 5,264,417 |
| Payroll taxes and fringe benefits | 459,130 | 221,964 | 294,260 | 139,912 | 34,985 | 37,573 | 3,179 | 15,555 | 1,206,558 | 126,287 | 5,928 | 1,338,773 |
| Total Salaries and Related Expenses | 2,241,351 | 1,050,422 | 1,704,249 | 614,361 | 200,718 | 219,706 | 19,885 | 80,584 | 6,131,276 | 440,372 | 31,542 | 6,603,190 |
| Nonsalary Related Expenses: | | | | | | | | | | | | |
| Advertising and marketing | 716 | - | 781 | 148 | 70 | - | - | 2,260 | 3,975 | 39,514 | 9,786 | 53,275 |
| Auto and truck | 18,651 | 23 | 8,089 | 25,694 | 177 | 1,447 | - | - | 54,081 | 8,527 | - | 62,608 |
| Bank fees | 291 | 60 | - | 33 | 6 | - | - | 3,981 | 4,371 | 6,429 | - | 10,800 |
| Bus tokens | 150 | 268 | 760 | 296 | 44 | - | - | - | 1,518 | - | - | 1,518 |
| Client assist | 3,718 | 858,423 | 35 | - | 15,121 | - | - | - | 877,297 | 22 | - | 877,319 |
| Contracted services | 58,000 | 121,530 | - | - | - | - | - | - | 179,530 | 3,500 | - | 183,030 |
| Depreciation | 81,568 | 4,038 | 1,334 | 9,578 | 3,576 | 32,140 | 1,238 | 26,389 | 159,861 | 11,958 | - | 171,819 |
| Drug testing | 27,891 | - | - | - | - | - | - | - | 27,891 | - | - | 27,891 |
| Dues and subscriptions | 3,968 | 2,431 | 1,950 | 378 | 162 | 600 | - | 1,314 | 10,803 | 5,115 | - | 15,918 |
| Equipment rental | 58,666 | 17,653 | 23,048 | 8,816 | - | - | - | 1,075 | 109,258 | 29,790 | - | 139,048 |
| Food | 363,148 | 2,083 | 496,045 | - | 134,513 | 5,681 | 41,880 | 48,355 | 1,091,705 | 326 | - | 1,092,031 |
| Fundraising | - | - | - | - | - | - | - | - | - | - | 47,494 | 47,494 |
| Gasoline | 62,305 | 5,809 | 9,828 | 19,786 | 736 | 11,729 | - | - | 110,193 | 15,248 | - | 125,441 |
| In-kind expenses | 1,449,062 | - | 123,659 | - | 32,557 | 590 | 117,040 | - | 1,722,908 | 20,874 | - | 1,743,782 |
| Insurance | 60,423 | 6,145 | 3,019 | 22,661 | 721 | 5,883 | 3,235 | 2,202 | 104,289 | 15,192 | - | 119,481 |
| Interest | 8,894 | 950 | - | 18,098 | - | 2,130 | - | 5,468 | 35,540 | - | - | 35,540 |
| Licenses and fees | 10,607 | 875 | 1,459 | 4,997 | 459 | 2,108 | 64 | 1,920 | 22,489 | 5,195 | - | 27,684 |
| Medical expense | 70 | - | 159 | 53 | - | - | - | 23 | 305 | 53,427 | - | 53,732 |
| Meetings | 1,954 | 1,695 | 2,361 | - | 40 | 409 | - | - | 6,459 | 40,405 | - | 46,864 |
| Miscellaneous | 19,609 | 23,681 | 1,405 | 200 | 5,916 | 70 | 213 | 3,638 | 54,732 | 21,311 | - | 76,043 |
| Office expense | 17,658 | 6,050 | 10,299 | 323 | 4,274 | 507 | 232 | 1,461 | 40,804 | 4,583 | - | 45,387 |
| Parking | 2,688 | 3,441 | 248 | 626 | - | - | - | - | 7,003 | 4,622 | - | 11,625 |
| Postage | 1,708 | 201 | 245 | 264 | - | - | - | - | 2,418 | 4,651 | 245 | 7,314 |
| Professional fees | 20,257 | 69,443 | 2,059 | 5,802 | 3,120 | 2,500 | - | 4,171 | 107,352 | 27,134 | - | 134,486 |
| Property taxes | 36,692 | - | - | 1,384 | - | - | - | - | 38,076 | - | - | 38,076 |
| Rent | 17,637 | 14,411 | 821 | 2,839 | 9,400 | - | - | - | 45,108 | 9,510 | - | 54,618 |
| Repairs and maintenance | 12,514 | - | 2,414 | 5,094 | 1,212 | - | 768 | 2,461 | 24,463 | - | - | 24,463 |
| Stipends | 57,715 | - | - | - | - | - | - | - | 57,715 | 22,638 | - | 80,353 |
| Supplies | 56,002 | 10,508 | 197,307 | 37,962 | 17,102 | 3,895 | 3,642 | 17,263 | 343,681 | 14,554 | 3,638 | 361,873 |
| Supplies - Books | 3,848 | - | - | - | - | - | - | - | 3,848 | - | - | 3,848 |
| Technology | 7,129 | 3,052 | 3,041 | 2,201 | - | - | - | 195 | 15,618 | 959 | - | 16,577 |
| Telephone | 24,788 | 5,914 | 4,983 | 5,606 | 3,414 | 2,243 | - | 361 | 47,309 | 3,196 | 168 | 50,673 |
| Training | 6,556 | 140 | - | - | - | - | - | - | 6,696 | - | - | 6,696 |
| Trash | 17,418 | - | 11,616 | 6,225 | - | - | - | - | 35,259 | - | - | 35,259 |
| Travel | 1,422 | 19,342 | 974 | - | 816 | - | - | - | 22,554 | 7,045 | - | 29,599 |
| Uniforms | 11,913 | - | 5,642 | 4,757 | 40 | - | - | - | 22,352 | 3,193 | - | 25,545 |
| Utilities | 71,105 | 89,010 | 6,213 | 3,633 | - | - | 5,094 | 22,755 | 197,810 | 286 | - | 198,096 |
| Vending machine | - | - | - | - | - | - | 1,805 | - | 1,805 | - | - | 1,805 |
| Total Expenses | \$ 4,838,092 | \$ 2,317,598 | \$ 2,624,043 | \$ 801,815 | \$ 434,194 | \$ 291,638 | \$ 195,096 | \$ 225,876 | \$ 11,728,352 | \$ 819,576 | \$ 92,873 | \$ 12,640,801 |

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

**ALPHA PROJECT FOR THE HOMELESS
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

| | <u>2019</u> | <u>2018</u> |
|--|----------------------------|----------------------------|
| <u>Cash Flows From Operating Activities:</u> | | |
| Change in net assets | \$ 2,379,105 | \$ 2,507,679 |
| Adjustments to reconcile change in net assets to net cash provided by operations: | | |
| Depreciation | 214,654 | 171,819 |
| Net realized and unrealized gains on investments | (11,975) | (23,589) |
| Gain on sale of property and equipment | - | (4,960) |
| Endowment contributions | (100) | - |
| Beneficial interest in endowment funds gain | (1,859) | (3,470) |
| (Increase) Decrease in: | | |
| Grants and contracts receivable | (960,711) | (84,688) |
| Prepaid expenses | (157,684) | (15,439) |
| Increase (Decrease) in: | | |
| Accounts payable | (30,175) | 93,389 |
| Accrued expenses | (46,992) | 207,814 |
| Deferred revenue | (70,316) | 108,746 |
| Client trust | (17,403) | (5,873) |
| Interest payable | 3,751 | 3,749 |
| Net Cash Provided by Operating Activities | <u>1,300,295</u> | <u>2,955,177</u> |
| <u>Cash Flows From Investing Activities:</u> | | |
| Sales (Purchases) of investments, net | (27,091) | (14,387) |
| Proceeds from disposal of property and equipment | - | 37,682 |
| Purchase of property and equipment | (276,986) | (294,174) |
| Change in beneficial interest in endowment funds | 2,282 | 2,361 |
| Net Cash Used in Investing Activities | <u>(301,795)</u> | <u>(268,518)</u> |
| <u>Cash Flows From Financing Activities:</u> | | |
| Repayments of line-of-credit, net | (28,318) | (45,605) |
| Proceeds from notes payable | - | 85,272 |
| Repayments on notes payable | (50,107) | (76,038) |
| Endowment contributions | 100 | - |
| Net Cash Used in Financing Activities | <u>(78,325)</u> | <u>(36,371)</u> |
| Net Increase in Cash and Cash Equivalents | 920,175 | 2,650,288 |
| Cash and Cash Equivalents at Beginning of Year | <u>3,565,052</u> | <u>914,764</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ <u>4,485,227</u> | \$ <u>3,565,052</u> |
| <u>Supplemental Disclosure of Cash Flow Information:</u> | | |
| Cash paid for interest | <u>\$ 23,722</u> | <u>\$ 31,791</u> |

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

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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. 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. Alpha Square Pizzeria is non-operative at June 30, 2019 and 2018.

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, 2019 AND 2018**

Note 1 - Organization: (Continued)

Temporary Bridge Shelter

Alpha Project operates a 325-bed Temporary Bridge Shelter Program for single adults located in downtown San Diego at the corner of 16th Street and Newton Avenue. Clients are welcomed and supported at the sprung structure with emergency housing and wrap-around support services. The Program utilizes tools designed to effectively serve the target population in a welcoming and solutions-focused environment.

The temporary city-sanctioned campground for 200 homeless people near downtown San Diego holds nearly 150 tents, along with showers and toilets, hand-washing stations and shuttle transportation. Meals and snacks are provided, and health workers and housing navigators are also onsite.

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, 2019 AND 2018**

Note 1 - Organization: (Continued)

Other Programs

Tenant Peer Support Services Program (TPSS)

The Tenant Peer Support Services Program (TPSS) is funded by the County of San Diego Behavioral Health Services (BHS). Tenant Peer Support Services serves clients who are ages 18 years or older, homeless or unstably housed and are connected to a designated county outpatient clinic. The TPSS program is responsible for identifying available housing in San Diego, helping participants navigated the housing market, and providing supportive case management services and trainings.

Wheels of Change

Wheels of Change empowers residents, builds self-esteem AND provides meaningful transitional employment, while giving back to the community. *Wheels of Change* provides transitional employment opportunities, paying minimum wage, to individuals residing at Alpha Project's *Temporary Bridge Shelter* program.

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.

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.

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 CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 1 - Organization: (Continued)

Cortez Hill Family Center

The Cortez Hill Family Center for homeless families is a program of the City of San Diego, administered by the San Diego Housing Commission (SDHC) and operated by Alpha Project for the Homeless. The program provides 156 beds in 47 units for families with children experiencing homelessness. Annually, the program provides roughly 150 families and 500 family members with safe housing and supportive services needed to prepare for longer-term or permanent housing, as well as successfully promoting self-sufficiency, wellness, and recovery.

Outreach

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

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

Alpha House

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

Alpha Lofts

Alpha Lofts at Normal Heights is a new affordable housing complex for Homeless Veterans in San Diego. Alpha Project provides essential supportive services for the residents of Alpha Lofts, which includes 52 affordable rental apartments and one manager's unit. Alpha Lofts at Normal Heights is a partnership between Alpha Project, San Diego Housing Commission, and Chelsea Investment Corporation.

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.

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.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 2 - Significant Accounting Policies: (Continued)

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

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 FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 2 - Significant Accounting Policies: (Continued)

Fair Value Measurements (Continued)

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 by 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 7).

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, 2019 and 2018.

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 support without donor restrictions 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 support with donor restrictions. Absent donor stipulations regarding how those 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 net assets with donor restrictions to net assets without donor restrictions 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 \$214,654 and \$171,819 for the years ended June 30, 2019 and 2018, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property and equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by depreciation taken prior to the sale. Any resultant gain or loss is credited or charged to income or expense.

ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 2 - Significant Accounting Policies: (Continued)

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 2019 and 2018.

Compensated Absences

Accumulated unpaid vacation totaling \$252,827 and \$192,956 at June 30, 2019 and 2018, respectively, is accrued when incurred and included in accrued expenses.

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. Deferred revenue totaled \$38,430 and \$108,746 at June 30, 2019 and 2018, respectively.

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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

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, 2019 and 2018 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 \$1,757,375 and \$1,743,782 for the years ended June 30, 2019 and 2018, respectively, and have been reported as in-kind contributions and expenses.

ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 2 - Significant Accounting Policies: (Continued)

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of expenses that benefit multiple functional areas have been allocated between programs and supporting services based on a cost allocation plan that allocates costs primarily based on the proportion of full-time employee equivalents of a program or supporting service versus the total Alpha Project full-time employee equivalents.

Income Taxes

Alpha Project is a nonprofit California corporation 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 on income related to their tax-exempt purpose. 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 consolidated financial statements. Alpha Project is not a private foundation.

No provision or benefit for income taxes for Alpha Project Pizzeria has been included in these consolidated financial statements since taxable income (loss) passes through to, and is reportable by, the Member individually.

Alpha Project's Return of Organization Exempt from Income Tax for the years ended June 30, 2019, 2018, 2017, and 2016 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

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.

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes required by Alpha Project include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) disclose a summary of the allocation methods used to allocate costs, (d) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. Alpha Project has adopted this ASU as of and for the year ended June 30, 2019.

ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 2 - Significant Accounting Policies: (Continued)

Accounting Pronouncements Adopted (Continued)

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of July 1, 2018. There was no effect of adopting the new accounting principles on contributions in 2019.

Subsequent Events

In preparing these consolidated financial statements, Alpha Project has evaluated events and transactions for potential recognition or disclosure through January 7, 2020, the date the consolidated financial statements were available to be issued and concluded that there were no events or transactions that needed to be disclosed.

ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 3 - Liquidity and Availability:

Alpha Project regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Alpha Project considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Alpha Project considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available for general expenditure within one year, are comprised of the following at June 30, 2019:

| | |
|---|---------------------|
| Cash and cash equivalents | \$ 4,485,227 |
| Investments | 380,049 |
| Grants and contracts receivable | 1,981,508 |
| Appropriation of endowment fund earnings | 2,000 |
| Financial assets available for general expenditures within one year | <u>\$ 6,848,784</u> |

In addition to financial assets available to meet general expenditures over the next 12 months Alpha Project has a line-of-credit agreement with available borrowings totaling \$150,000 as described in Note 8. In addition, Alpha Project operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for available for general use. Appropriations of endowment fund earnings are made in accordance with the spending policy as described in Note 11. Donor-restricted endowment funds of a perpetual nature are not available for general expenditure.

Note 4 - Fair Value Measurements:

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

| | 2019 | | | Balance at June 30, 2019 |
|--|---|---|---|--------------------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobserva ble Inputs (Level 3) | |
| Mutual funds | \$ 313,525 | \$ - | \$ - | \$ 313,525 |
| Corporate stocks | 65,455 | - | - | 65,455 |
| Mortgage-backed securities | - | 1,069 | - | 1,069 |
| Beneficial interest in endowment funds (Note 7) | - | - | 56,170 | 56,170 |
| | <u>\$ 378,980</u> | <u>\$ 1,069</u> | <u>\$ 56,170</u> | <u>\$ 436,219</u> |

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 4 - Fair Value Measurements: (Continued)

| | 2018 | | | |
|--|---|---|---|--------------------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobserva ble Inputs (Level 3) | Balance at June 30, 2018 |
| Mutual funds | \$ 297,501 | \$ - | \$ - | \$ 297,501 |
| Corporate stocks | 42,205 | - | - | 42,205 |
| Mortgage-backed securities | - | 1,277 | - | 1,277 |
| Beneficial interest in endowment funds (Note 7) | - | - | 56,593 | 56,593 |
| | \$ 339,706 | \$ 1,277 | \$ 56,593 | \$ 397,576 |

The reconciliation for financial instruments measured at fair value on a recurring basis as significant unobservable inputs (Level 3) are included in Note 7 as indicated above.

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

| 2019 | | | | |
|---|------------|---|------------------------|--------------------------------|
| Instrument | Fair Value | Principal Valuation Technique | Unobservable Inputs | Significant Input Values |
| Beneficial interest in endowment funds | \$ 56,170 | Valuation of underlying assets as provided by San Diego Foundation | Base price | N/A |
| 2018 | | | | |
| Instrument | Fair Value | Principal Valuation Technique | Unobservable Inputs | Significant Input Values |
| Beneficial interest in endowment funds | \$ 56,593 | Valuation of underlying assets as provided by San Diego Foundation | Base price | N/A |

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 5 - Investments:

Investments consist of the following at June 30:

| | <u>2019</u> | <u>2018</u> |
|----------------------------|-------------------|-------------------|
| Mutual funds | \$ 313,525 | \$ 297,501 |
| Corporate stocks | 65,455 | 42,205 |
| Mortgage-backed securities | 1,069 | 1,277 |
| Total Investments | <u>\$ 380,049</u> | <u>\$ 340,983</u> |

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

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total 2019</u> |
|-----------------------------------|---|------------------------------------|-----------------------|
| Interest and dividends | \$ 31,181 | \$ - | \$ 31,181 |
| Net realized and unrealized gains | 11,975 | 1,859 | 13,834 |
| Investment fees | (4,513) | - | (4,513) |
| Total Investment Income | <u>\$ 38,643</u> | <u>\$ 1,859</u> | <u>\$ 40,502</u> |

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total 2018</u> |
|-----------------------------------|---|------------------------------------|-----------------------|
| Interest and dividends | \$ 23,862 | \$ - | \$ 23,862 |
| Net realized and unrealized gains | 23,589 | 3,470 | 27,059 |
| Investment fees | (4,330) | - | (4,330) |
| Total Investment Income | <u>\$ 43,121</u> | <u>\$ 3,470</u> | <u>\$ 46,597</u> |

Note 6 - Property and Equipment:

Property and equipment consist of the following at June 30:

| | <u>2019</u> | <u>2018</u> |
|-----------------------------------|---------------------|---------------------|
| Land | \$ 992,592 | \$ 992,592 |
| Buildings and improvements | 1,520,294 | 1,510,222 |
| Equipment, furniture and fixtures | 585,601 | 500,031 |
| Vehicles | 1,429,291 | 1,247,949 |
| Construction in progress | 10,218 | 10,218 |
| Subtotal | <u>4,537,996</u> | <u>4,261,012</u> |
| Less: Accumulated depreciation | <u>(2,320,819)</u> | <u>(2,106,167)</u> |
| Property and Equipment, Net | <u>\$ 2,217,177</u> | <u>\$ 2,154,845</u> |

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 7 - Beneficial Interest in Endowment Funds:

Alpha Project has a beneficial interest in endowment funds held by 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 27% international equities, 28% domestic equities, 20% alternative investments, 17% fixed income, 6% real estate and 2% commodities.

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

| | <u>2019</u> | <u>2018</u> |
|------------------------------|------------------|------------------|
| Balance at Beginning of Year | \$ 56,593 | \$ 55,484 |
| Contributions | 100 | - |
| Investment gain | 1,859 | 3,470 |
| Distributions | <u>(2,382)</u> | <u>(2,361)</u> |
| Balance at End of Year | <u>\$ 56,170</u> | <u>\$ 56,593</u> |

Note 8 - 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% (7.25% at June 30, 2019). The outstanding balance totaled \$-0- and \$28,318 at June 30, 2019 and 2018, respectively.

Note 9 - Notes Payable:

Notes payable consist of the following at June 30:

| | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|
| Note payable to the Community Development Commission of the City of Vista, payable in interest-only payments at 3.00% from residual receipts, accrued interest and principal due August 2053. Secured by real property. Interest payable totaled \$78,438 and \$74,687 at June 30, 2019 and 2018, 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. | 329,691 | 336,908 |
| 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 |

(Continued)

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 9 - Notes Payable: (Continued)

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Note payable to Ally, payable in monthly installments of \$594 including interest at 3.95%, due January 2019. Secured by a vehicle. | \$ - | \$ 3,501 |
| Note payable to Ally, payable in monthly installments of \$593 including interest at 2.94%, due February 2019. Secured by a vehicle. | - | 4,676 |
| Note payable to Ally Bank & Trust, payable in monthly installments of \$637 including interest at 3.35%, due November 2020. Secured by a vehicle. | 9,938 | 17,128 |
| Note payable to Ford Credit, payable in monthly installments of \$513 including interest at 3.39%. Secured by a vehicle. | 14,605 | 20,016 |
| Note payable to Ford Credit, payable in monthly installments of \$551 including interest at 4.84%. Secured by a vehicle. | 20,875 | 26,362 |
| Note payable to Ford Credit, payable in monthly installments of \$503 including interest at 4.84%. Secured by a vehicle. | 20,403 | 25,912 |
| Note payable to Ford Credit, payable in monthly installments of \$503 including interest at 4.84%. Secured by a vehicle. | 18,206 | 23,256 |
| Note payable to GM Financial, payable in monthly installments of \$556 including interest at 3.39%. Secured by a vehicle. | 14,422 | 20,488 |
| Total Notes Payable | <u>870,640</u> | <u>920,747</u> |
| Less: Current Portion | <u>(365,769)</u> | <u>(379,846)</u> |
| Notes Payable, Net of Current Portion | <u>\$ 504,871</u> | <u>\$ 540,901</u> |

Future principal payments on the notes payable are as follows:

| <u>Years Ended June 30</u> | |
|--------------------------------|-------------------|
| 2020 | \$ 365,769 |
| 2021 | 32,504 |
| 2022 | 23,217 |
| 2023 | 6,650 |
| 2024 | - |
| Thereafter | <u>442,500</u> |
| Total | <u>\$ 870,640</u> |

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 10 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions received or receivable by Alpha Project, which are limited in their use by time or donor-imposed restrictions. Net assets with donor restrictions are available for the following purpose at June 30:

| | <u>2019</u> | <u>2018</u> |
|--|-------------|-------------|
| Subject to Expenditure for Specified Purpose: | | |
| Hospice | \$ 42,092 | \$ 31,812 |
| Wheels for Change | 75,000 | - |
| Rapid Rehousing Family | 43,062 | - |
| Total Subject to Expenditure for Specified Purpose | 160,154 | 31,812 |
| Subject to the Passage of Time: | | |
| Accumulated earnings on endowment assets | 6,070 | 6,593 |
| Perpetual in Nature: | | |
| Endowment (Note 11) | 50,100 | 50,000 |
| Total Net Assets with Donor Restrictions | \$ 216,324 | \$ 88,405 |

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the years ended June 30:

| | <u>2019</u> | <u>2018</u> |
|--|-------------|-------------|
| Purpose Restrictions Accomplished: | | |
| Hospice | \$ 12,725 | \$ 15,969 |
| Vehicle | - | 585 |
| Rapid Rehousing Family | 7,938 | - |
| Appropriation of accumulated earnings on endowment assets | | |
| Total Net Assets Released from Restrictions | \$ 23,045 | \$ 18,915 |

Note 11 - 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 the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Foundation's objective is to maintain the purchasing power (real value) of the endowment funds. Alpha Project classifies donor-restricted net assets of a perpetual nature 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

Alpha Project considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Alpha Project has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Alpha Project has no underwater endowment funds at June 30, 2019 and 2018.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 11 - Endowment Net Assets: (Continued)

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>With Donor Restrictions</u> | <u>With Donor Restrictions - Perpetual</u> | <u>Total</u> |
|---|------------------------------------|--|------------------|
| Endowment Net Assets at June 30, 2017 | \$ 5,484 | \$ 50,000 | \$ 55,484 |
| Net realized and unrealized appreciation | 3,470 | - | 3,470 |
| Appropriation of endowment assets for expenditure | <u>(2,361)</u> | <u>-</u> | <u>(2,361)</u> |
| Endowment Net Assets at June 30, 2018 | 6,593 | 50,000 | 56,593 |
| Contributions | - | 100 | 100 |
| Net realized and unrealized appreciation | 1,859 | - | 1,859 |
| Appropriation of endowment assets for expenditure | <u>(2,382)</u> | <u>-</u> | <u>(2,382)</u> |
| Endowment Net Assets at June 30, 2019 | <u>\$ 6,070</u> | <u>\$ 50,100</u> | <u>\$ 56,170</u> |

Note 12 - Commitments:

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, 2019 and 2018.

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, 2019 and 2018.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 12 - Commitments: (Continued)

Operating Leases

Alpha Project leases vehicles and equipment under non-cancelable operating leases that expire at various dates through February 2023. Rental expense under these leases totaled \$89,773 and \$87,915 for the years ended June 30, 2019 and 2018, 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 \$121,631 and \$54,617 for the years ended June 30, 2019 and 2018, respectively.

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

| Years Ended June 30 | |
|------------------------|-------------------|
| 2020 | \$ 92,623 |
| 2021 | 76,145 |
| 2022 | 54,007 |
| 2023 | 19,221 |
| 2024 | 3,057 |
| Total | <u>\$ 245,053</u> |

Development 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, 2019 and 2018. Alpha Project did not receive any developer fee payments for the years ended June 30, 2019 and 2018.

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 \$663,031 at June 30, 2019 and 2018. Alpha Project received \$-0- and \$50,000 in developer fee payments for the years ended June 30, 2019 and 2018, respectively.

Alpha Project has an agreement with Chelsea Investment Corporation to provide development services for Alpha Square 9% and Alpha Square 4 Alpha Project did not receive any developer fee payments for the years ended June 30, 2019 and 2018.

Alpha Project has an agreement with CREA Luther Towers, LLC to provide development services for Luther Towers. Alpha Project received \$767,759 and \$1,009,484 for development fees for the years ended June 30, 2019 and 2018, respectively.

Alpha Project has an agreement with Normal Heights CIC, LP, to provide development services for Alpha Lofts. Alpha Project received \$87,500 and \$87,500 for development fees for the years ended June 30, 2019 and 2018, 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, 2019 and 2018.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 13 - 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, 2019**

| | ASSETS | | | |
|--|--------------------------------------|---|---------------------|---------------------|
| | Alpha Project for the Homeless | Alpha Square Pizzeria and Deli, LLC | Eliminations | Consolidated |
| <u>Current Assets:</u> | | | | |
| Cash and cash equivalents | \$ 4,483,898 | \$ 1,329 | \$ - | \$ 4,485,227 |
| Investments | 380,049 | - | - | 380,049 |
| Grants and contracts receivable | 1,981,508 | - | - | 1,981,508 |
| Prepaid expenses | 180,228 | 702 | - | 180,930 |
| Total Current Assets | <u>7,025,683</u> | <u>2,031</u> | <u>-</u> | <u>7,027,714</u> |
| <u>Noncurrent Assets:</u> | | | | |
| Deposits | 1,189 | - | - | 1,189 |
| Note receivable | 607,456 | - | (607,456) | - |
| Property and equipment, net | 1,933,891 | 283,286 | - | 2,217,177 |
| Beneficial interest in endowment funds | 56,170 | - | - | 56,170 |
| Total Noncurrent Assets | <u>2,598,706</u> | <u>283,286</u> | <u>(607,456)</u> | <u>2,274,536</u> |
| TOTAL ASSETS | <u>\$ 9,624,389</u> | <u>\$ 285,317</u> | <u>\$ (607,456)</u> | <u>\$ 9,302,250</u> |
| LIABILITIES AND NET ASSETS | | | | |
| <u>Current Liabilities:</u> | | | | |
| Accounts payable | \$ 120,155 | \$ - | \$ - | \$ 120,155 |
| Accrued expenses | 339,614 | 319 | - | 339,933 |
| Deferred revenue | 38,430 | - | - | 38,430 |
| Client trust | 1,251 | - | - | 1,251 |
| Current portion of notes payable | 365,769 | - | - | 365,769 |
| Total Current Liabilities | <u>865,219</u> | <u>319</u> | <u>-</u> | <u>865,538</u> |
| <u>Noncurrent Liabilities:</u> | | | | |
| Notes payable, net of current portion | 504,871 | 607,456 | (607,456) | 504,871 |
| Interest payable | 78,438 | - | - | 78,438 |
| Total Noncurrent Liabilities | <u>583,309</u> | <u>607,456</u> | <u>(607,456)</u> | <u>583,309</u> |
| Total Liabilities | <u>1,448,528</u> | <u>607,775</u> | <u>(607,456)</u> | <u>1,448,847</u> |
| <u>Net Assets:</u> | | | | |
| Without Donor Restrictions | <u>7,959,537</u> | <u>(322,458)</u> | <u>-</u> | <u>7,637,079</u> |
| With Donor Restrictions: | | | | |
| Purpose restriction | 160,154 | - | - | 160,154 |
| Time restriction | 6,070 | - | - | 6,070 |
| Perpetual in nature | 50,100 | - | - | 50,100 |
| Total Net Assets With Donor Restrictions | <u>216,324</u> | <u>-</u> | <u>-</u> | <u>216,324</u> |
| Total Net Assets | <u>8,175,861</u> | <u>(322,458)</u> | <u>-</u> | <u>7,853,403</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 9,624,389</u> | <u>\$ 285,317</u> | <u>\$ (607,456)</u> | <u>\$ 9,302,250</u> |

**ALPHA PROJECT FOR THE HOMELESS
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

| | Alpha Project for the Homeless | Alpha Square Pizzeria and Deli, LLC | Eliminations | Consolidated |
|----------------------------------|--------------------------------------|---|--------------|---------------------|
| Support and Revenues: | | | | |
| Grants and contracts | \$ 14,010,350 | \$ - | \$ - | \$ 14,010,350 |
| Program revenues | 1,959,051 | - | - | 1,959,051 |
| In-kind contributions | 1,757,375 | - | - | 1,757,375 |
| Contributions | 985,331 | - | - | 985,331 |
| Development and other fees | 873,427 | - | - | 873,427 |
| Investment income | 40,502 | - | - | 40,502 |
| Miscellaneous income | 20,019 | - | - | 20,019 |
| Total Support and Revenues | <u>19,646,055</u> | <u>-</u> | <u>-</u> | <u>19,646,055</u> |
| Expenses: | | | | |
| Program Services: | | | | |
| Rehabilitation program services | 5,267,648 | - | - | 5,267,648 |
| Temporary bridge shelter | 4,585,218 | - | - | 4,585,218 |
| Housing assistance | 2,546,494 | - | - | 2,546,494 |
| Other programs | 1,935,384 | - | - | 1,935,384 |
| Special projects | 1,141,998 | - | - | 1,141,998 |
| Cortez Hill family center | 442,075 | - | - | 442,075 |
| Outreach | 357,768 | - | - | 357,768 |
| Alpha House | 62,631 | - | - | 62,631 |
| Alpha Lofts | 57,594 | - | - | 57,594 |
| Alpha Square Pizzeria | - | 44,865 | - | 44,865 |
| Total Program Services | <u>16,396,810</u> | <u>44,865</u> | <u>-</u> | <u>16,441,675</u> |
| Supporting Services: | | | | |
| Management and general | 722,151 | - | - | 722,151 |
| Fundraising | 103,124 | - | - | 103,124 |
| Total Supporting Services | <u>825,275</u> | <u>-</u> | <u>-</u> | <u>825,275</u> |
| Total Expenses | <u>17,222,085</u> | <u>44,865</u> | <u>-</u> | <u>17,266,950</u> |
| Change in Net Assets | 2,423,970 | (44,865) | - | 2,379,105 |
| Net Assets at Beginning of Year | 5,751,891 | (277,593) | - | 5,474,298 |
| NET ASSETS AT END OF YEAR | <u>\$ 8,175,861</u> | <u>\$ (322,458)</u> | <u>\$ -</u> | <u>\$ 7,853,403</u> |

**ALPHA PROJECT FOR THE HOMELESS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

| 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 | CA1508L9D011601 | \$ - | \$ 134,254 |
| Continuum of Care Program | | CA1508L9D011702 | - | 340,092 |
| Continuum of Care Program | | CA1509L9D011601 | - | 13,731 |
| Continuum of Care Program | | CA1509L9D011702 | - | 177,972 |
| Continuum of Care Program | | CA1600L9D011700 | - | 704,091 |
| Continuum of Care Program | | CA1696L9D011701 | - | 313,271 |
| Total Direct Program | | | - | <u>1,683,411</u> |
| Pass-Through Programs From: | | | | |
| Emergency Solutions Grant Program: | 14.231 | | | |
| San Diego Housing Commission | | HHI-19-06 | - | 26,884 |
| Total Emergency Solutions Grant Program | | | - | <u>26,884</u> |
| Pass-Through Programs From: | | | | |
| Community Development Block Grants/ Entitlement Grants: | 14.218 | | | |
| San Diego Housing Commission | | HHI-19-06 | - | 159,188 |
| City of Vista | | None | - | 10,434 |
| Total Community Development Block | | | - | <u>169,622</u> |
| Total U.S. Department of Housing and Urban Development | | | - | <u>1,879,917</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 | | 553468 | - | 596,084 |
| Total U.S. Department of Health and Human Services | | | - | <u>596,084</u> |
| Total Expenditures of Federal Awards | | | \$ - | <u>\$ 2,476,001</u> |

**ALPHA PROJECT FOR THE HOMELESS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019. 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 financial statements of Alpha Project for the Homeless, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated June 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alpha Project for the Homeless' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alpha Project for the Homeless' internal control. Accordingly, we do not express an opinion on the effectiveness of Alpha Project for the Homeless' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alpha Project for the Homeless' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Alpha Project for the Homeless' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alpha Project for the Homeless' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
January 7, 2020



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, 2019. 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, 2019.

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
January 7, 2020

**ALPHA PROJECT FOR THE HOMELESS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

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: \$ 750,000

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

Section II - Financial Statement Findings:

None

Section III - Federal Award Findings and Questioned Costs:

None