



**ALPHA PROJECT FOR THE HOMELESS  
CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**



**Leaf & Cole, LLP**  
*Certified Public Accountants*

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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, 2018 and 2017, 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, 2018 and 2017, 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 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 November 14, 2018, 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  
November 14, 2018

**ALPHA PROJECT FOR THE HOMELESS  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017**

**ASSETS**

	<u>2018</u>	<u>2017</u>
<b><u>Current Assets:</u></b> (Notes 2, 3 and 4)		
Cash and cash equivalents	\$ 3,565,052	\$ 914,764
Investments	340,983	303,007
Grants and contracts receivable	1,020,797	936,109
Prepaid expenses	23,246	7,807
Total Current Assets	<u>4,950,078</u>	<u>2,161,687</u>
<b><u>Noncurrent Assets:</u></b> (Notes 2, 5, 6 and 8)		
Deposits	1,189	1,189
Property and equipment, net	2,154,845	2,065,212
Beneficial interest in endowment funds	56,593	55,484
Total Noncurrent Assets	<u>2,212,627</u>	<u>2,121,885</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 7,162,705</u></u>	<u><u>\$ 4,283,572</u></u>

**LIABILITIES AND NET ASSETS**

<b><u>Current Liabilities:</u></b> (Notes 2, 7 and 8)		
Accounts payable	\$ 150,330	\$ 56,941
Accrued expenses	386,925	179,111
Deferred revenue	108,746	-
Line-of-credit payable	28,318	73,923
Client trust	18,654	24,527
Current portion of notes payable	379,846	46,555
Total Current Liabilities	<u>1,072,819</u>	<u>381,057</u>
<b><u>Noncurrent Liabilities:</u></b> (Note 8)		
Notes payable, net of current portion	540,901	864,958
Interest payable	74,687	70,938
Total Noncurrent Liabilities	<u>615,588</u>	<u>935,896</u>
Total Liabilities	<u>1,688,407</u>	<u>1,316,953</u>
<b><u>Commitments and Contingency</u></b> (Notes 11 and 12)		
<b><u>Net Assets:</u></b> (Notes 2, 9 and 10)		
Unrestricted	5,385,893	2,892,309
Temporarily restricted	38,405	24,310
Permanently restricted	50,000	50,000
Total Net Assets	<u>5,474,298</u>	<u>2,966,619</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 7,162,705</u></u>	<u><u>\$ 4,283,572</u></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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b><u>Unrestricted Net Assets:</u></b>		
<b><u>Support and Revenues:</u></b>		
Grants and contracts	\$ 7,888,924	\$ 4,876,799
Program revenues	2,265,248	1,627,332
Development and other fees	1,754,682	545,672
In-kind contributions	1,743,782	1,876,303
Contributions	1,390,664	813,378
Investment income	43,121	45,900
Miscellaneous income	29,049	36,424
Net assets released from restrictions	18,915	118,949
Total Support and Revenues	15,134,385	9,940,757
<b><u>Expenses:</u></b>		
<b><u>Program Services:</u></b>		
Rehabilitation program services	4,838,092	5,007,581
Housing assistance	2,323,871	1,646,738
Temporary bridge shelter	2,176,541	-
Special projects	801,815	733,176
Campground	447,502	-
Other programs	432,043	250,542
Outreach	291,638	305,028
Alpha Square Pizzeria	225,876	164,207
Alpha House	195,096	179,239
Total Program Services	11,732,474	8,286,511
<b><u>Supporting Services:</u></b>		
Management and general	815,454	686,378
Fundraising	92,873	129,165
Total Supporting Services	908,327	815,543
Total Expenses	12,640,801	9,102,054
Change in Unrestricted Net Assets	2,493,584	838,703
<b><u>Temporarily Restricted Net Assets:</u></b>		
Contributions	29,540	52,175
Investment income	3,470	5,944
Net assets released from restrictions	(18,915)	(118,949)
Change in Temporarily Restricted Net Assets	14,095	(60,830)
Net Assets at Beginning of Year	2,966,619	2,188,746
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 5,474,298</b>	<b>\$ 2,966,619</b>

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 Shelter	Special Projects	Camp- ground	Other Programs	Outreach	Alpha House	Alpha Square Pizzeria	Total Program Services	Management and General	Fund- Raising	Total Expenses
<b>Salaries and Related Expenses:</b>													
Salaries and wages	\$ 1,782,221	\$ 834,349	\$ 1,226,099	\$ 474,449	\$ 183,890	\$ 159,842	\$ 182,133	\$ 16,706	\$ 65,029	\$ 4,924,718	\$ 314,085	\$ 25,614	\$ 5,264,417
Payroll taxes and fringe benefits	459,130	222,466	261,537	139,912	32,723	34,483	37,573	3,179	15,555	1,206,558	126,287	5,928	1,338,773
Total Salaries and Related Expenses	2,241,351	1,056,815	1,487,636	614,361	216,613	194,325	219,706	19,885	80,584	6,131,276	440,372	31,542	6,603,190
<b>Nonsalary Related Expenses:</b>													
Advertising and marketing	716	-	781	148	-	70	-	-	2,260	3,975	39,514	9,786	53,275
Auto and truck	18,651	23	7,789	25,694	300	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	148	686	296	74	164	-	-	-	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	522	9,578	812	7,698	32,140	1,238	26,389	163,983	7,836	-	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	5,906	8,816	17,142	-	-	-	1,075	109,258	29,790	-	139,048
Food	363,148	2,083	413,310	-	82,735	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	4,807	19,786	5,021	736	11,729	-	-	110,193	15,248	-	125,441
In-kind expenses	1,449,062	-	62,464	-	61,195	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	-	106	53	53	-	-	-	23	305	53,427	-	53,732
Meetings	1,954	1,695	2,344	-	17	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	7,463	323	2,836	4,274	507	232	1,461	40,804	4,583	-	45,387
Parking	2,688	3,441	38	626	210	-	-	-	-	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	1,883	5,802	176	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	736	2,839	85	9,400	-	-	-	45,108	9,510	-	54,618
Repairs and maintenance	12,514	-	1,838	5,094	576	1,212	-	768	2,461	24,463	-	-	24,463
Stipends	57,715	-	-	-	-	-	-	-	-	57,715	22,638	-	80,353
Supplies	56,002	10,508	142,727	37,962	54,580	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	2,258	2,201	783	-	-	-	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	900	-	74	816	-	-	-	22,554	7,045	-	29,599
Uniforms	11,913	-	2,243	4,757	3,399	40	-	-	-	22,352	3,193	-	25,545
Utilities	71,105	89,010	5,392	3,633	821	-	-	5,094	22,755	197,810	286	-	198,096
Vending machine	-	-	-	-	-	-	-	1,805	-	1,805	-	-	1,805
<b>Total Expenses</b>	<b>\$ 4,838,092</b>	<b>\$ 2,323,871</b>	<b>\$ 2,176,541</b>	<b>\$ 801,815</b>	<b>\$ 447,502</b>	<b>\$ 432,043</b>	<b>\$ 291,638</b>	<b>\$ 195,096</b>	<b>\$ 225,876</b>	<b>\$ 11,732,474</b>	<b>\$ 815,454</b>	<b>\$ 92,873</b>	<b>\$ 12,640,801</b>

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, 2017**

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

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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ 2,507,679	\$ 777,873
<b>Adjustments to reconcile change in net assets to net cash provided by operations:</b>		
Depreciation	171,819	143,486
Net realized and unrealized gains on investments	(23,589)	(34,993)
Gain on sale of property and equipment	(4,960)	(13,300)
Beneficial interest in endowment funds gain	(3,470)	(5,944)
<b>(Increase) Decrease in:</b>		
Grants and contracts receivable	(84,688)	(264,231)
Prepaid expenses and deposits	(15,439)	103,055
<b>Increase (Decrease) in:</b>		
Accounts payable	93,389	(11,651)
Accrued expenses	207,814	16,133
Deferred revenue	108,746	-
Client trust	(5,873)	(10,758)
Interest payable	3,749	3,751
Net Cash Provided by Operating Activities	<u>2,955,177</u>	<u>703,421</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Sales (Purchases) of investments, net	(14,387)	(25,419)
Proceeds from disposal of property and equipment	37,682	13,300
Purchase of property and equipment	(294,174)	(448,668)
Change in beneficial interest in endowment funds	2,361	2,083
Net Cash Used in Investing Activities	<u>(268,518)</u>	<u>(458,704)</u>
<b><u>Cash Flows From Financing Activities:</u></b>		
(Repayments of) Proceeds from line-of-credit, net	(45,605)	(42,629)
Proceeds from notes payable	85,272	85,692
Repayments on notes payable	(76,038)	(70,821)
Net Cash Used in Financing Activities	<u>(36,371)</u>	<u>(27,758)</u>
Net Increase in Cash and Cash Equivalents	2,650,288	216,959
Cash and Cash Equivalents at Beginning of Year	<u>914,764</u>	<u>697,805</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ <u>3,565,052</u></b>	<b>\$ <u>914,764</u></b>
<b><u>Supplemental Disclosure of Cash Flow Information:</u></b>		
Cash paid for interest	<u>\$ 31,791</u>	<u>\$ 28,950</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, 2018 AND 2017**

**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, 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, 2018 AND 2017**

**Note 1 - Organization: (Continued)**

**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.

**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.

**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.

**Campground**

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.

**ALPHA PROJECT FOR THE HOMELESS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**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.

**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 PROJECT FOR THE HOMELESS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**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.

**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.

**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.

**ALPHA PROJECT FOR THE HOMELESS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**Note 2 - Significant Accounting Policies: (Continued)**

**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'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).

**ALPHA PROJECT FOR THE HOMELESS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**Note 2 - Significant Accounting Policies: (Continued)**

**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, 2018 and 2017.

**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 \$171,819 and \$143,486 for the years ended June 30, 2018 and 2017, 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 2018 and 2017.

**Compensated Absences**

Accumulated unpaid vacation totaling \$192,956 and \$153,833 at June 30, 2018 and 2017, respectively, is accrued when incurred and included in accrued expenses.

**ALPHA PROJECT FOR THE HOMELESS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**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. Deferred revenue totaled \$108,746 and \$-0- at June 30, 2018 and 2017, 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 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, 2018 and 2017, 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 \$1,743,782 and \$1,876,303 for the years ended June 30, 2018 and 2017, respectively, and have been reported as in-kind contributions and expenses.

**Allocated Expenses**

Alpha Project allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized and estimates made by Alpha Project's management.

**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.



**ALPHA PROJECT FOR THE HOMELESS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**Note 2 - Significant Accounting Policies: (Continued)**

**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.

**Subsequent Events**

In preparing these consolidated financial statements, Alpha Project has evaluated events and transactions for potential recognition or disclosure through November 14, 2018, 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.

**Note 3 - Fair Value Measurements:**

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

	2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 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 6)	-	-	56,593	56,593
	<u>\$ 339,706</u>	<u>\$ 1,277</u>	<u>\$ 56,593</u>	<u>\$ 397,576</u>
	2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2017
Mutual funds	\$ 271,972	\$ -	\$ -	\$ 271,972
Corporate stocks	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>

The reconciliation for financial instruments measured at fair value on a recurring basis as significant unobservable inputs (Level 3) are included in Note 6 as indicated above.

**ALPHA PROJECT FOR THE HOMELESS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**Note 3 - Fair Value Measurements: (Continued)**

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:

		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

  

		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

**Note 4 - Investments:**

Investments consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Mutual funds	\$ 297,501	\$ 271,972
Corporate stocks	42,205	29,398
Mortgage-backed securities	1,277	1,637
Total Investments	<u>\$ 340,983</u>	<u>\$ 303,007</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 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>

**ALPHA PROJECT FOR THE HOMELESS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**Note 4 - Investments: (Continued)**

	<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>

**Note 5 - Property and Equipment:**

Property and equipment consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 992,592	\$ 992,592
Buildings and improvements	1,510,222	1,470,314
Equipment, furniture and fixtures	500,031	416,927
Vehicles	1,247,949	1,143,355
Construction in progress	10,218	6,645
Subtotal	<u>4,261,012</u>	<u>4,029,833</u>
Less: Accumulated depreciation	<u>(2,106,167)</u>	<u>(1,964,621)</u>
Property and Equipment, Net	<u>\$ 2,154,845</u>	<u>\$ 2,065,212</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 27% international equities, 25% domestic equities, 21% alternative investments, 17% fixed income, 7% real estate and 3% commodities.

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

	<u>2018</u>	<u>2017</u>
Balance at Beginning of Year	\$ 55,484	\$ 51,623
Investment gain	3,470	5,944
Distributions	<u>(2,361)</u>	<u>(2,083)</u>
Balance at End of Year	<u>\$ 56,593</u>	<u>\$ 55,484</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% (6.75% at June 30, 2018). The outstanding balance totaled \$28,318 and \$73,923 at June 30, 2018 and 2017, respectively.

**ALPHA PROJECT FOR THE HOMELESS  
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**Note 8 - Notes Payable:**

Notes payable consist of the following at June 30:

	<u>2018</u>	<u>2017</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 \$74,687 and \$70,938 at June 30, 2018 and 2017, 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.	336,908	346,050
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
Note payable to Ally, payable in monthly installments of \$594 including interest at 3.95% due January 2019. Secured by a vehicle.	3,501	10,347
Note payable to Ally payable in monthly installments of \$593 including interest at 2.94%, due February 2019. Secured by a vehicle.	4,676	11,539
Note payable to Ally Bank & Trust, payable in monthly installments of \$637 including interest at 3.35%, due November 2020. Secured by a vehicle.	17,128	24,063
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.	20,016	25,193
Note payable to Ford Credit, payable in monthly installments of \$551 including interest at 4.84%. Secured by a vehicle.	26,362	-

(Continued)

**ALPHA PROJECT FOR THE HOMELESS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**Note 8 - Notes Payable: (Continued)**

	<u>2018</u>	<u>2017</u>
Note payable to Ford Credit, payable in monthly installments of \$503 including interest at 4.84%. Secured by a vehicle.	\$ 25,912	\$ -
Note payable to Ford Credit, payable in monthly installments of \$503 including interest at 4.84%. Secured by a vehicle.	23,256	-
Note payable to GM Financial, payable in monthly installments of \$556 including interest at 3.39%. Secured by a vehicle.	<u>20,488</u>	<u>26,355</u>
Total Notes Payable	920,747	911,513
Less: Current Portion	<u>(379,846)</u>	<u>(46,555)</u>
Notes Payable, Net of Current Portion	<u>\$ 540,901</u>	<u>\$ 864,958</u>

Future principal payments on the notes payable are as follows:

<u>Years Ended June 30</u>	
2019	\$ 379,846
2020	36,078
2021	32,533
2022	23,239
2023	442,500
Thereafter	<u>6,551</u>
Total	<u>\$ 920,747</u>

**Note 9 - Temporarily Restricted Net Assets:**

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

	<u>2018</u>	<u>2017</u>
Hospice	\$ 31,812	\$ 18,241
Unappropriated endowment earnings	6,593	5,484
Vehicle	-	585
Total Temporarily Restricted Net Assets	<u>\$ 38,405</u>	<u>\$ 24,310</u>

Net assets totaling \$18,915 and \$118,950 were released from donor restrictions during the years ended June 30, 2018 and 2017, 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, 2018 AND 2017**

**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, 2018 and 2017.

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, 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	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	<u>\$ 6,593</u>	<u>\$ 50,000</u>	<u>\$ 56,593</u>

**ALPHA PROJECT FOR THE HOMELESS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**Note 11 - Commitments:**

**Operating Leases**

Alpha Project leases a vehicle and equipment under non-cancelable operating leases that expire at various dates through June 2021. Rental expense under these leases totaled \$87,915 and \$50,316 for the years ended June 30, 2018 and 2017, 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 \$54,617 and \$52,332 for the years ended June 30, 2018 and 2017, respectively.

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

<u>Years Ended</u> <u>June 30</u>	
2019	\$ 92,547
2020	76,659
2021	<u>57,941</u>
Total	<u>\$ 227,147</u>

**Employee Benefit Plan**

Alpha Project established a 403(b) profit and sharing plan (the “Plan”) covering all full-time employees of Alpha Project. Employees may defer up to 25% of their annual compensation, not to exceed the annual amount allowed by law. Alpha Project may contribute a discretionary matching contribution each year. There were no matching contributions for the years ended June 30, 2018 and 2017.

**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, 2018 and 2017.

**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, 2018 and 2017. Alpha Project did not receive any developer fee payments for the years ended June 30, 2018 and 2017.

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 and \$713,031 at June 30, 2018 and 2017, respectively. Alpha Project received \$50,000 and \$-0- in developer fee payments for the years ended June 30, 2018 and 2017.

**ALPHA PROJECT FOR THE HOMELESS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**Note 11 - Commitments: (Continued)**

**Development and Other Fees (Continued)**

Alpha Project has an agreement with Chelsea Investment Corporation to provide development and other services for Alpha Square 9% and Alpha Square 4%. Alpha Project received \$549,476 for developer and other fees, for the years ended June 30, 2018 and 2017, respectively.

Alpha Project has an agreement with CREA Luther Towers, LLC to provide development services for Luther Towers. Alpha Project received \$1,009,484 and \$-0- for development fees for the years ended June 30, 2018 and 2017, respectively.

Alpha Project has an agreement with Normal Heights CIC, LP, to provide development services for the Lofts. Alpha Project received \$87,500 and \$-0- for development fees for the years ended June 30, 2018 and 2017, 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, 2018 and 2017.

**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, 2018**

<b>ASSETS</b>				
	Alpha Project for the Homeless	Alpha Square Pizzeria and Deli, LLC	Eliminations	Consolidated
<b><u>Current Assets:</u></b>				
Cash and cash equivalents	\$ 3,561,783	\$ 3,269	\$ -	\$ 3,565,052
Investments	340,983	-	-	340,983
Grants and contracts receivable	1,020,797	-	-	1,020,797
Prepaid expenses	23,246	-	-	23,246
Total Current Assets	4,946,809	3,269	-	4,950,078
<b><u>Noncurrent Assets:</u></b>				
Deposits	1,189	-	-	1,189
Note receivable	590,254	-	(590,254)	-
Property and equipment, net	1,845,170	309,675	-	2,154,845
Beneficial interest in endowment funds	56,593	-	-	56,593
Total Noncurrent Assets	2,493,206	309,675	(590,254)	2,212,627
<b>TOTAL ASSETS</b>	<b>\$ 7,440,015</b>	<b>\$ 312,944</b>	<b>\$ (590,254)</b>	<b>\$ 7,162,705</b>

**LIABILITIES AND NET ASSETS**

<b><u>Current Liabilities:</u></b>				
Accounts payable	\$ 150,330	\$ -	\$ -	\$ 150,330
Accrued expenses	386,642	283	-	386,925
Deferred revenue	108,746	-	-	108,746
Line-of-credit payable	28,318	-	-	28,318
Client trust	18,654	-	-	18,654
Current portion of notes payable	379,846	-	-	379,846
Total Current Liabilities	1,072,536	283	-	1,072,819
<b><u>Noncurrent Liabilities:</u></b>				
Notes payable, net of current portion	540,901	590,254	(590,254)	540,901
Interest payable	74,687	-	-	74,687
Total Noncurrent Liabilities	615,588	590,254	(590,254)	615,588
Total Liabilities	1,688,124	590,537	(590,254)	1,688,407
<b><u>Net Assets:</u></b>				
Unrestricted	5,663,486	(277,593)	-	5,385,893
Temporarily restricted	38,405	-	-	38,405
Permanently restricted	50,000	-	-	50,000
Total Net Assets	5,751,891	(277,593)	-	5,474,298
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,440,015</b>	<b>\$ 312,944</b>	<b>\$ (590,254)</b>	<b>\$ 7,162,705</b>

**ALPHA PROJECT FOR THE HOMELESS  
CONSOLIDATING SCHEDULE OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

	Alpha Project for the Homeless	Alpha Square Pizzeria and Deli, LLC	Eliminations	Consolidated
<b><u>Support and Revenues:</u></b>				
Grants and contracts	\$ 7,888,924	\$ -	\$ -	\$ 7,888,924
Program revenues	2,187,584	77,664	-	2,265,248
Development and other fees	1,754,682	-	-	1,754,682
In-kind contributions	1,743,782	-	-	1,743,782
Contributions	1,420,204	-	-	1,420,204
Miscellaneous income	28,992	57	-	29,049
Investment income	46,591	-	-	46,591
Total Support and Revenues	<u>15,070,759</u>	<u>77,721</u>	<u>-</u>	<u>15,148,480</u>
<b><u>Expenses:</u></b>				
<b>Program Services:</b>				
Rehabilitation program services	4,838,092	-	-	4,838,092
Housing assistance	2,323,871	-	-	2,323,871
Temporary bridge shelter	2,176,541	-	-	2,176,541
Special projects	801,815	-	-	801,815
Campground	447,502	-	-	447,502
Other programs	432,043	-	-	432,043
Outreach	291,638	-	-	291,638
Alpha Square Pizzeria	-	225,876	-	225,876
Alpha House	195,096	-	-	195,096
Total Program Services	<u>11,506,598</u>	<u>225,876</u>	<u>-</u>	<u>11,732,474</u>
<b>Supporting Services:</b>				
Management and general	815,454	-	-	815,454
Fundraising	92,873	-	-	92,873
Total Supporting Services	<u>908,327</u>	<u>-</u>	<u>-</u>	<u>908,327</u>
Total Expenses	<u>12,414,925</u>	<u>225,876</u>	<u>-</u>	<u>12,640,801</u>
Change in Net Assets	2,655,834	(148,155)	-	2,507,679
Net Assets at Beginning of Year	<u>3,096,057</u>	<u>(129,438)</u>	<u>-</u>	<u>2,966,619</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 5,751,891</u>	<u>\$ (277,593)</u>	<u>\$ -</u>	<u>\$ 5,474,298</u>

**ALPHA PROJECT FOR THE HOMELESS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grants/Pass -Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass -Through Number	Passed Through to Subrecipient	Federal Expenditures
<b>U.S. Department of Housing and Urban Development:</b>				
<b>Direct Program:</b>				
Continuum of Care Program	14.267	CA0818L9D011507	\$ -	\$ 147,620
Continuum of Care Program		CA1508L9D011500	-	214,117
Continuum of Care Program		CA1508L9D011601	-	353,230
Continuum of Care Program		CA1509L9D011500	-	20,810
Continuum of Care Program		CA1509L9D011601	-	157,364
Continuum of Care Program		CA1600L9D011600	-	636,781
Total Direct Program			-	1,529,922
Total U.S. Department of Housing and Urban Development			-	1,529,922
<b>U.S. Department of Health and Human Services:</b>				
<b>Pass-Through Program From:</b>				
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			-	442,097
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 1,972,019

**ALPHA PROJECT FOR THE HOMELESS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2018**

**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, 2018. 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, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated November 14, 2018.

**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  
November 14, 2018



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

To the Board of Directors  
Alpha Project for the Homeless

**Report on Compliance for the Major Federal Program**

We have audited Alpha Project for the Homeless' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Alpha Project for the Homeless' major federal program for the year ended June 30, 2018. 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, 2018.

**Report on Internal Control over Compliance**

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

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

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

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

Leaf & Cole LLP

San Diego, California  
November 14, 2018



**ALPHA PROJECT FOR THE HOMELESS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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	_____ <u>X</u> _____	No
Significant deficiencies identified?	_____	Yes	_____ <u>X</u> _____	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	_____ <u>X</u> _____	No
Significant deficiencies identified?	_____	Yes	_____ <u>X</u> _____	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:

CDFA Number

93.959

Name of Federal Program or Cluster

Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ X Yes \_\_\_\_\_ No

**Section II - Financial Statement Findings:**

None

**Section III - Federal Award Findings and Questioned Costs:**

None