



ALPHA PROJECT FOR THE HOMELESS
FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013



Leaf & Cole, LLP
Certified Public Accountants

**ALPHA PROJECT FOR THE HOMELESS
FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Alpha Project for the Homeless, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alpha Project for the Homeless as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2014, on our consideration of Alpha Project for the Homeless' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alpha Project for the Homeless' internal control over financial reporting and compliance.

Leaf & Cole LLP

San Diego, California
October 14, 2014

**ALPHA PROJECT FOR THE HOMELESS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013**

ASSETS		
	<u>2014</u>	<u>2013</u>
<u>Current Assets:</u> (Notes 1, 2, 3 and 4)		
Cash and cash equivalents	\$ 1,745,901	\$ 1,541,809
Investments	244,793	209,183
Grants and contracts receivable	925,706	948,438
Prepaid expenses and deposits	104,056	17,020
Total Current Assets	<u>3,020,456</u>	<u>2,716,450</u>
<u>Noncurrent Assets:</u> (Notes 1, 2, 5, 6 and 8)		
Property and equipment, net	1,738,529	1,809,147
Loan fees, net	110	1,366
Deposits	1,189	1,189
Beneficial interest in San Diego Foundation	56,071	50,895
Total Noncurrent Assets	<u>1,795,899</u>	<u>1,862,597</u>
TOTAL ASSETS	<u>\$ 4,816,355</u>	<u>\$ 4,579,047</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities:</u> (Notes 1 and 7)		
Accounts payable	\$ 74,627	\$ 81,605
Accrued expenses	264,505	251,836
Line-of-credit payable	38,772	40,059
Client trust	28,139	30,543
Current portion of notes payable	113,213	99,024
Total Current Liabilities	<u>519,256</u>	<u>503,067</u>
<u>Noncurrent Liabilities:</u> (Note 8)		
Notes payable, net of current portion	963,983	1,017,351
Interest payable	59,688	55,938
Total Noncurrent Liabilities	<u>1,023,671</u>	<u>1,073,289</u>
Total Liabilities	<u>1,542,927</u>	<u>1,576,356</u>
<u>Commitments</u> (Note 10)		
<u>Net Assets:</u> (Notes 1 and 9)		
Unrestricted	3,197,357	2,952,691
Temporarily restricted	26,071	-
Permanently restricted	50,000	50,000
Total Net Assets	<u>3,273,428</u>	<u>3,002,691</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,816,355</u>	<u>\$ 4,579,047</u>

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

**ALPHA PROJECT FOR THE HOMELESS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<u>Unrestricted Net Assets:</u>		
<u>Support and Revenues:</u>		
Grants and contracts	\$ 5,120,505	\$ 3,903,814
Program revenues	1,573,714	1,600,148
Contributions	702,125	620,680
In-kind contributions	469,651	445,426
Developer fee	50,000	1,374
Investment income	38,228	34,418
Miscellaneous income	31,738	51,033
Net assets released from restrictions	2,518	-
Total Support and Revenues	<u>7,988,479</u>	<u>6,656,893</u>
<u>Expenses:</u>		
<u>Program Services:</u>		
Rehabilitation program services	2,723,065	2,588,027
Winter Shelter	1,480,250	966,090
Connections Interim Housing	845,648	390,635
Special projects	668,680	729,035
Neil Good Day Center	641,273	684,784
Alpha House	302,123	260,488
Transportation services	251,149	249,990
Rapid Re-Housing	172,995	-
Outreach	86,629	77,482
Total Program Services	<u>7,171,812</u>	<u>5,946,531</u>
<u>Supporting Services:</u>		
Management and general	511,930	506,403
Fundraising	60,071	52,801
Total Supporting Services	<u>572,001</u>	<u>559,204</u>
Total Expenses	<u>7,743,813</u>	<u>6,505,735</u>
Change in Unrestricted Net Assets	<u>244,666</u>	<u>151,158</u>
<u>Temporarily Restricted Net Assets:</u>		
Contributions	20,000	
Investment income	8,589	-
Net assets released from restrictions	(2,518)	-
Change in Temporarily Restricted Net Assets	<u>26,071</u>	<u>-</u>
Net Assets at Beginning of Year	<u>3,002,691</u>	<u>2,851,533</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 3,273,428</u></u>	<u><u>\$ 3,002,691</u></u>

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

**ALPHA PROJECT FOR THE HOMELESS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014**

	Program Services										Supporting Services		
	Rehabilitation Program Services	Transportation Services	Alpha House	Neil Good Day Center	Winter Shelter	Connections Interim Housing	Special Projects	Rapid Re-Housing	Outreach	Total Program Services	Management and General	Fund-Raising	Total Expenses
Salaries and Related Expenses:													
Salaries and wages	\$ 1,076,082	\$ 174,815	\$ 31,471	\$ 355,000	\$ 728,845	\$ 565,461	\$ 393,910	\$ 22,083	\$ 27,390	\$ 3,375,057	\$ 85,616	\$ 8,108	\$ 3,468,781
Payroll taxes and fringe benefits	317,633	39,539	6,279	68,296	136,903	113,064	110,659	3,740	4,982	801,095	29,635	1,474	832,204
Total Salaries and Related Expenses	1,393,715	214,354	37,750	423,296	865,748	678,525	504,569	25,823	32,372	4,176,152	115,251	9,582	4,300,985
NonSalary Related Expenses:													
Advertising and marketing	666	376	-	-	94	119	409	-	94	1,758	47,892	11,972	61,622
Auto and truck	17,586	1,280	-	-	174	3,985	19,498	-	1,313	43,836	7,877	-	51,713
Bank fees	-	-	-	-	48	-	-	-	-	48	3,445	-	3,493
Bus tokens	519	-	-	-	-	298	-	-	-	817	-	-	817
Client Assist	6,174	-	-	538	50	159	-	143,630	-	150,551	335	-	150,886
Contracted services	54,000	-	-	-	-	-	-	-	-	54,000	-	-	54,000
Cost of newspapers	3,904	-	-	-	-	-	-	-	-	3,904	-	-	3,904
Depreciation and amortization	76,648	15,523	12,419	3,879	-	394	29,091	-	8,661	146,615	27,396	-	174,011
Drug testing	23,832	-	-	636	1,537	-	-	-	-	26,005	-	-	26,005
Dues and subscriptions	4,056	-	-	819	708	773	368	-	-	6,724	3,405	-	10,129
Equipment rental	37,082	-	-	3,880	230,225	713	5,235	-	2,507	279,642	20,319	-	299,961
Food	336,208	-	133,167	570	200,654	51,027	190	-	54	721,870	281	-	722,151
Fundraising	-	-	-	-	-	-	-	-	-	-	-	38,452	38,452
Gasoline	103,426	6,970	-	3,892	1,196	8,988	-	262	38,766	163,500	18,199	-	181,699
In-kind expenses	221,582	-	84,950	40,362	76,637	400	-	-	-	423,951	45,701	-	469,652
Insurance	41,915	6,036	3,034	1,595	2,770	6,655	17,734	-	441	80,180	13,055	-	93,235
Interest	15,167	-	-	-	-	-	22,519	-	-	37,686	2,925	-	40,611
Licenses and fees	9,284	1,012	61	327	3,300	745	4,751	-	-	19,480	3,356	-	22,836
Medical expense	1,683	-	-	137	154	502	771	-	-	3,247	35,372	-	38,619
Meetings	1,693	109	-	-	26	1,252	47	60	-	3,187	33,788	-	36,975
Miscellaneous	1,872	200	1,133	3,011	1,276	748	500	-	-	8,740	12,330	-	21,070
Office expense	15,011	-	10	10,697	873	5,123	873	-	107	36,285	1,553	-	37,838
Parking	3,634	-	-	331	-	17,214	576	-	-	21,755	1,022	-	22,777
Postage	1,738	-	10	223	-	185	395	-	-	2,551	4,518	-	7,069
Professional fees	10,944	-	-	11,228	5,629	5,566	1,314	-	-	34,681	76,550	-	111,231
Property taxes	46,471	-	-	1,462	3,730	1,137	1,043	-	-	47,514	3,646	-	47,514
Rent	16,042	-	708	8,560	17,580	-	5,311	-	-	42,491	1,458	-	43,949
Repairs and maintenance	10,332	-	-	800	-	-	-	-	-	73,805	-	-	73,805
Stipends	73,005	259	17,375	55,204	48,838	53,611	28,148	3,220	309	257,595	22,907	-	280,502
Supplies	50,631	-	-	-	-	-	-	-	-	5,066	-	-	5,066
Supplies - Books	5,066	-	-	-	-	-	-	-	-	-	-	-	-
Technology	7,938	-	-	2,445	260	800	1,841	-	-	13,284	1,037	-	14,321
Telephone	34,204	4,960	-	8,403	2,681	3,472	7,440	-	-	61,160	1,244	65	62,469
Training	2,042	-	-	-	-	1,682	-	-	-	3,724	990	-	4,714
Trash	16,336	-	-	7,023	11,778	-	4,940	-	-	40,077	-	-	40,077
Travel	1,663	-	-	307	-	455	-	-	-	2,425	5,966	-	8,391
Uniforms	8,836	-	-	40	8	449	4,052	-	1,285	14,670	-	-	14,670
Utilities	68,160	70	5,184	51,608	665	671	4,465	-	720	131,543	112	-	131,655
Vending machine	-	-	6,322	-	-	-	-	-	-	6,322	-	-	6,322
Total Expenses	\$ 2,723,065	\$ 251,149	\$ 302,123	\$ 641,273	\$ 1,480,250	\$ 845,648	\$ 668,680	\$ 172,995	\$ 86,629	\$ 7,171,812	\$ 511,930	\$ 60,071	\$ 7,743,813

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

**ALPHA PROJECT FOR THE HOMELESS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013**

	Rehabilitation Program Services				Program Services				Supporting Services			
	Rehabilitation Program Services	Transportation Services	Alpha House	Neil Good Day Center	Winter Shelter	Connections Intern Housing	Special Projects	Outreach	Total Services	Management and General	Fund-Raising	Total Expenses
Salaries and Related Expenses:												
Salaries and wages	\$ 1,021,255	\$ 167,424	\$ 18,589	\$ 382,873	\$ 447,959	\$ 236,138	\$ 450,814	\$ 13,898	\$ 2,738,950	\$ 123,027	\$ 6,278	\$ 2,868,255
Payroll taxes and fringe benefits	316,879	42,570	3,890	70,865	86,654	42,549	108,263	2,634	674,304	50,958	1,432	726,694
Total Salaries and Related Expenses	<u>1,338,134</u>	<u>209,994</u>	<u>22,479</u>	<u>453,738</u>	<u>534,613</u>	<u>278,687</u>	<u>559,077</u>	<u>16,532</u>	<u>3,413,254</u>	<u>173,985</u>	<u>7,710</u>	<u>3,594,949</u>
Nonsalary Related Expenses:												
Advertising and marketing	158	-	-	-	-	798	706	-	1,662	42,344	10,586	54,592
Auto and truck	18,719	2,150	-	-	-	284	18,114	216	39,483	7,501	-	46,984
Bank fees	104	-	-	-	20	-	3	3	130	-	-	4,000
Bus tokens	398	-	-	-	-	-	-	-	398	-	-	398
Client Assist	3,944	-	-	3,442	688	-	-	50	8,124	75	-	8,199
Contracted services	53,373	-	-	-	-	-	-	-	53,373	-	-	53,373
Cost of newspapers	43,063	-	-	-	-	-	-	-	43,063	-	-	43,063
Depreciation and amortization	80,462	21,686	13,813	1,850	-	-	38,107	8,662	164,580	29,506	-	194,086
Drug testing	10,350	-	-	-	-	-	-	-	10,350	-	-	10,350
Dues and subscriptions	4,081	-	-	763	691	713	338	-	6,586	3,051	-	9,637
Equipment rental	31,414	-	-	3,806	161,614	247	5,441	3,252	205,774	22,902	-	228,676
Food	228,616	-	82,407	540	158,968	43,322	134	39	514,026	-	-	514,026
Fundraising	-	-	-	-	-	-	-	-	-	-	34,151	34,151
Gasoline	114,081	4,869	-	3,775	1,070	4,032	-	41,935	169,762	19,023	-	188,785
In-kind expenses	197,032	-	119,801	63,990	42,414	-	-	-	423,237	22,191	-	445,428
Insurance	47,146	5,524	4,166	1,416	1,344	-	14,890	2,469	76,955	13,967	-	90,922
Interest	14,861	353	-	-	-	-	24,226	-	39,440	2,846	-	42,286
Licenses and fees	30,054	1,081	499	607	-	277	315	-	36,640	3,412	-	40,052
Medical expense	5,000	-	-	30	96	275	-	79	5,716	37,430	-	43,146
Meetings	1,233	-	-	-	727	321	-	-	2,360	24,273	-	26,633
Miscellaneous	1,960	300	1,371	1,108	998	492	1,026	-	7,255	6,154	-	13,409
Office expense	14,415	-	23	6,807	3,294	6,323	1,200	19	32,081	923	-	33,004
Parking	3,065	-	-	324	50	8,676	728	832	13,675	1,401	-	15,076
Postage	1,388	-	-	162	-	56	360	-	1,966	3,724	-	5,690
Professional fees	13,190	-	-	11,266	5,579	197	3,796	-	34,028	44,827	-	78,855
Property taxes	46,120	-	-	-	-	-	982	-	47,102	-	-	47,102
Rent	15,811	-	-	1,450	3,600	481	3,251	-	24,593	3,523	-	28,116
Repairs and maintenance	10,899	-	676	9,427	8,890	-	5,034	-	34,926	3,176	-	38,102
Stipends	75,955	-	-	725	-	200	-	-	76,880	51	-	76,931
Supplies	34,616	11	4,936	43,380	32,898	43,047	20,684	277	179,849	27,445	-	207,294
Supplies - Books	5,031	-	-	-	-	-	-	-	5,031	-	-	5,031
Technology	15,008	-	-	4,055	1,207	448	4,103	-	24,821	1,156	-	25,977
Telephone	40,137	4,022	-	7,292	1,808	1,236	8,466	1,912	64,873	6,718	354	71,945
Training	2,043	-	-	67	-	174	174	445	2,903	1,536	-	4,439
Trash	15,825	-	-	12,824	4,051	-	-	-	32,700	-	-	32,700
Travel	741	-	-	426	-	93	3,971	100	5,331	4,984	-	10,315
Uniforms	8,726	-	164	850	820	660	5,923	30	17,143	95	-	17,173
Utilities	60,874	-	4,456	50,664	650	256	3,864	-	120,764	95	-	120,859
Vending machine	-	-	5,697	-	-	-	-	-	5,697	-	-	5,697
Total Expenses	<u>\$ 2,588,027</u>	<u>\$ 249,990</u>	<u>\$ 260,488</u>	<u>\$ 684,784</u>	<u>\$ 966,090</u>	<u>\$ 390,635</u>	<u>\$ 729,035</u>	<u>\$ 77,482</u>	<u>\$ 5,946,531</u>	<u>\$ 506,403</u>	<u>\$ 52,801</u>	<u>\$ 6,503,735</u>

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

**ALPHA PROJECT FOR THE HOMELESS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 270,737	\$ 151,158
Adjustments to reconcile change in net assets to net cash provided by (used in) operations:		
Depreciation and amortization	174,011	194,086
Net realized and unrealized gains on investments	(28,576)	(20,344)
Gain on sale of property and equipment	-	(8,412)
Beneficial interest in San Diego Foundation gain	(7,694)	(4,781)
(Increase) Decrease in:		
Grants and contracts receivable	22,732	(489,709)
Prepaid expenses and deposits	(87,036)	26,158
Increase (Decrease) in:		
Accounts payable	(6,978)	21,261
Accrued expenses	12,669	54,902
Client trust	(2,404)	23,865
Interest payable	3,750	3,750
Net Cash Provided by (Used in) Operating Activities	<u>351,211</u>	<u>(48,066)</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of investments	(7,034)	(5,198)
Purchase of property and equipment	(102,137)	(168,488)
Proceeds from sale of property and equipment	-	8,412
Beneficial interest in San Diego Foundation, net	2,518	2,202
Net Cash Used in Investing Activities	<u>(106,653)</u>	<u>(163,072)</u>
<u>Cash Flows From Financing Activities:</u>		
Proceeds from line-of-credit, net	(1,287)	40,059
Proceeds from notes payable	65,313	33,398
Repayments on notes payable	(104,492)	(138,314)
Net Cash Used in Financing Activities	<u>(40,466)</u>	<u>(64,857)</u>
Increase (Decrease) in Cash and Cash Equivalents	204,092	(275,995)
Cash and Cash Equivalents at Beginning of Year	<u>1,541,809</u>	<u>1,817,804</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,745,901</u>	<u>\$ 1,541,809</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid for interest	<u>\$ 36,861</u>	<u>\$ 38,536</u>

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

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 1 - Organization and Significant Accounting Policies:

Organization

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

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

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

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

Rehabilitation Program Services

Casa Raphael

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

Casa Base

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

Transportation Services

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

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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

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.

Neil Good Day Center

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

Winter Shelter

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

Connections Interim Housing

Alpha Project's newest program, started in January 2013, consists of 150-interim housing beds located at Connections Housing at 1250 6th Ave in Downtown San Diego. Connections Housing is a partnership between Alpha Project, PATH, Family Health Centers and Affirmed Housing, offering integrated services and a residential community in order to reduce street homelessness in the downtown area. Virtually every resource an individual needs to break the cycle of homelessness will be available on-site at this facility, including a one-stop social service center and a community health clinic.

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

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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

Organization (Continued)

Connections Interim Housing (Continued)

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

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.

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.

Outreach

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

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

Significant Accounting Policies

Method of Accounting

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

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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

Significant Accounting Policies (Continued)

Financial Statement Presentation

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

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

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

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

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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

Significant Accounting Policies (Continued)

Fair Value Measurements

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

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

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

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

Allowance for Doubtful Accounts

Management believes that all grants and contracts receivable were fully collectible; therefore, no allowance for doubtful accounts was recorded as of June 30, 2014 and 2013.

Contributions

Contributions are recognized when the donor makes a promise to give to Alpha Project that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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

Significant Accounting Policies (Continued)

Capitalization and Depreciation

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

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

Depreciation totaled \$172,755 and \$191,624 for the years ended June 30, 2014 and 2013, 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 2014 or 2013.

Amortization

Loan fees totaling \$110 and \$1,366, net of accumulated amortization of \$12,229 and \$10,973, at June 30, 2014 and 2013, respectively, are being amortized on the straight-line method over five years. Amortization expense totaled \$1,256 and \$2,462 for the years ended June 30, 2014 and 2013, respectively.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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

Significant Accounting Policies (Continued)

Compensated Absences

Accumulated unpaid vacation totaling \$116,141 and \$120,905 at June 30, 2014 and 2013, respectively, is accrued when incurred and included in accrued expenses.

Revenue Recognition

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

Donated Services and Materials

Alpha Project utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2014 and 2013, 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 \$469,651 and \$445,426 for the years ended June 30, 2014 and 2013 respectively, and have been reported as in-kind contributions and expenses.

Allocated Expenses

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

Income Taxes

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

Alpha Project's Return of Organization Exempt from Income Tax for the years ended June 30, 2014, 2013, 2012, and 2011 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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

Significant Accounting Policies (Continued)

Concentration of Credit Risk

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

Cash and Cash Equivalents

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

Subsequent Events

In preparing these financial statements, Alpha Project has evaluated events and transactions for potential recognition or disclosure through October 14, 2014, the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements:

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

	2014			Balance as of June 30, 2014
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual funds:				
Growth funds	\$ 128,066	\$ -	\$ -	\$ 128,066
Growth and income funds	42,767	-	-	42,767
Income funds	63,915	-	-	63,915
Corporate stocks:				
Domestic equities	6,949	-	-	6,949
Mortgage-backed securities	-	3,096	-	3,096
Beneficial interest in San Diego Foundation (Note 5)	-	-	56,071	56,071
	<u>\$ 241,697</u>	<u>\$ 3,096</u>	<u>\$ 56,071</u>	<u>\$ 300,864</u>

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 2 - Fair Value Measurements: (Continued)

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

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

Note 3 - Investments:

Investments consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Mutual funds	\$ 234,748	\$ 200,939
Corporate stocks	6,949	4,368
Mortgage-backed securities	3,096	3,876
Total Investments	<u>\$ 244,793</u>	<u>\$ 209,183</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2014</u>	<u>Unrestricted 2013</u>
Net realized and unrealized gains	\$ 28,576	\$ -	\$ 28,576	\$ 20,344
Interest and dividends	12,229	-	12,229	9,293
Beneficial interest in San Diego Foundation gain	(895)	8,589	7,694	4,781
Investment fees	(1,682)	-	(1,682)	-
Total Investment Income	<u>\$ 38,228</u>	<u>\$ 8,589</u>	<u>\$ 46,817</u>	<u>\$ 34,418</u>

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 4 - Grants and Contracts Receivable:

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

	<u>2014</u>	<u>2013</u>
San Diego Housing Commission	\$ 435,422	\$ 185,602
City of San Diego	133,932	94,418
PATH - Connections	113,935	239,656
San Diego Association of Governments	66,912	-
Environmental Disposal	55,595	36,162
Environmental Programs	33,994	29,400
Crisis House	21,720	21,970
San Diego Unified Port District	15,488	-
Historic Motor Sports Association	10,890	-
Other grants and contracts	9,492	10,989
SASCA Region IV	7,050	3,825
Environmental Services	5,512	-
City of Vista	4,512	7,696
Environmental Services Department	4,362	3,635
Royal Property Management	4,049	-
Teen Health Centers	2,841	2,841
County of San Diego	-	285,561
State of California Department of Transportation	-	25,108
Parolee Partnership Program	-	1,575
Total Grants and Contracts Receivable	<u>\$ 925,706</u>	<u>\$ 948,438</u>

Note 5 - Beneficial Interest in San Diego Foundation:

Alpha Project has a beneficial interest in endowment funds held at San Diego Foundation, which are classified as permanently restricted as these investments must be maintained in perpetuity. The beneficial interest in San Diego Foundation is invested in a portfolio of equity and debt securities, which is structured for long-term return consisting of 33% domestic and global equities, 24% international equities, 20% alternative investments, 10% domestic fixed income, 7% international fixed income and 6% real estate.

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

	<u>2014</u>	<u>2013</u>
Balance at Beginning of Year	\$ 50,895	\$ 48,316
Investment gain	7,694	4,781
Distributions	(2,518)	(2,202)
Balance at End of Year	<u>\$ 56,071</u>	<u>\$ 50,895</u>

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 6 - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Land	\$ 992,592	\$ 992,592
Buildings and improvements	1,186,780	1,170,763
Equipment, furniture and fixtures	268,373	247,443
Vehicles	994,232	929,864
Subtotal	<u>3,441,977</u>	<u>3,340,662</u>
Less: Accumulated depreciation	<u>(1,703,448)</u>	<u>(1,531,515)</u>
Property and Equipment, Net	<u>\$ 1,738,529</u>	<u>\$ 1,809,147</u>

Note 7 - Line-of-Credit:

Alpha Project has an unsecured line-of-credit with Wells Fargo in the amount of \$150,000 with interest at the bank's prime rate plus 1.75% (5% at June 30, 2014). The outstanding balance totaled \$38,772 and \$40,059 at June 30, 2014 and 2013, respectively.

Note 8 - Notes Payable:

Notes payable consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Note payable to Wells Fargo, payable in monthly payments of \$4,920 including interest at 4.25%, due November 2016. Secured by real property.	\$ 136,308	\$ 187,838
Note payable to South Coast Mortgage & Investments, Inc., payable in monthly payments of \$1,065 including interest at 9.00%, due August 2013. Secured by real property.	-	2,370
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 \$59,688 and \$55,938 at June 30, 2014 and 2013, respectively.	125,000	125,000
Note payable to the County of San Diego Department of Housing and Community Development, no interest payable, principal due July 2053. Secured by real property.	235,000	235,000
Note payable to Ally Bank, payable in monthly installments of \$883 including interest at -0%, due August 2015. Secured by a vehicle.	13,326	23,986
Note payable to California Bank & Trust, payable in monthly installments of \$668 including interest at 4.46%, due June 2015. Secured by a vehicle.	7,170	14,680

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 8 - Notes Payable: (Continued)

	<u>2014</u>	<u>2013</u>
Note payable to California Bank & Trust, payable in monthly installments of \$2,421 including interest at 4.744%, due May 2019. Secured by real property.	\$ 371,062	\$ 377,537
Note payable to California Bank & Trust, payable in monthly installments of \$663 including interest at 4.25% due December 2015. Secured by a vehicle.	12,763	19,994
Note payable to California Bank & Trust, payable in monthly installments of \$663 including interest at 4.25%, due December 2015. Secured by a vehicle.	12,763	19,994
Note payable to Ally, payable in monthly installments of \$614 including interest at 3.95%. Secured by a vehicle.	21,053	27,476
Note payable to the City of San Diego, noninterest bearing, no monthly payments. Repayment only upon termination of the related housing program. Secured by real property.	82,500	82,500
Note payable to Ally, payable in monthly installments of \$594 including interest at 3.95% due January 2019. Secured by a vehicle.	29,302	-
Note payable to Ally payable in monthly installments of \$593 including interest at 2.94%, due February 2019. Secured by a vehicle.	30,949	-
Total Notes Payable	<u>1,077,196</u>	<u>1,116,375</u>
Less: Current Portion	<u>(113,213)</u>	<u>(99,024)</u>
Notes Payable, Net of Current Portion	<u>\$ 963,983</u>	<u>\$ 1,017,351</u>

Future principal payments on the notes payable are as follows:

<u>Years Ended June 30</u>	
2015	\$ 113,213
2016	96,748
2017	53,318
2018	27,428
2019	18,151
Thereafter	768,338
Total	<u>\$ 1,077,196</u>

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 9 – Temporarily Restricted Net Assets:

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

	<u>2014</u>	<u>2013</u>
Neil Good Center improvements	\$ 20,000	\$ -
Unappropriated endowment earnings	6,071	-
Total Temporarily Restricted Net Assets	\$ 26,071	\$ -

There were no net assets released from donor restrictions by incurring expenses and events satisfying the purpose or time restrictions specified by donors for the year ended June 30, 2014.

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:

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

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Alpha Project to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, there were no deficiencies of this nature that are reported in unrestricted net assets at June 30, 2014 and 2013.

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

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

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.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 10 - Endowment Net Assets: (Continued)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets at June 30, 2012	\$ (1,684)	\$ -	\$ 50,000	\$ 48,316
Net realized and unrealized depreciation	4,781	-	-	4,781
Appropriation of endowment assets for expenditure	<u>(2,202)</u>	<u>-</u>	<u>-</u>	<u>(2,202)</u>
Endowment Net Assets at June 30, 2013	895	-	50,000	50,895
Net realized and unrealized depreciation	(895)	8,589	-	7,694
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(2,518)</u>	<u>-</u>	<u>(2,518)</u>
Endowment Net Assets at June 30, 2014	<u>\$ -</u>	<u>\$ 6,071</u>	<u>\$ 50,000</u>	<u>\$ 56,071</u>

Note 11 - Commitments:

Operating Leases

Alpha Project leases office equipment under non-cancelable operating leases that expire at various dates through December 2018. Rental expense under these leases totaled \$32,446 and \$33,601 for the years ended June 30, 2014 and 2013, respectively, and is included in equipment rental.

Alpha Project leases office space, storage facilities and other facilities under leases on a month-to-month basis. Rental expense under these leases totaled \$28,617 and \$28,116 for the years ended June 30, 2014 and 2013, respectively.

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

<u>Years Ended June 30</u>	
2015	\$ 32,446
2016	26,546
2017	27,686
2018	27,686
2019	<u>12,558</u>
Total	<u>\$ 126,922</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, 2014 and 2013.

**ALPHA PROJECT FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 11 - Commitments: (Continued)

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, 2014 or 2013.

Developer Fees

A developer fee was earned by Alpha Project for development services provided to Oxford Terrace Partners, LP, in the amount of \$1,109,603. The unpaid balance totaled \$436,277 and \$436,277 at June 30, 2014 and 2013, respectively. Alpha Project received \$-0- and \$1,374 as developer fee payments for the years ended June 30, 2014 and 2013, respectively. Due to restrictions on the funds available to pay the developer fee, 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, 2014.

Alpha Project has an agreement with CL Dellums, LP to provide development services for a fee not to exceed \$412,860. Alpha Project has earned \$339,288 and \$-0-, and has received \$50,000 and \$-0-, as of June 30, 2014 and 2013, respectively. Due to restrictions on the funds available to pay the developer fee, 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, 2014.

**ALPHA PROJECT FOR THE HOMELESS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grants/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development:		
Direct Program:		
Supportive Housing Program	14.235	\$ 157,960
Total Direct Program		<u>157,960</u>
Pass-Through Programs From:		
Community Development Block Grants/Entitlement Grants: San Diego Housing Commission	14.218	490,435
Emergency Solutions Grant Program: PATH San Diego Housing Commission	14.231	622,717 143,754
Total Emergency Solutions Grants Program		<u>766,471</u>
Supportive Housing Program: Crisis Housing, Inc.	14.235	136,087
Homelessness Prevention and Rapid Re-Housing Program: San Diego Housing Commission	14.257	9,118
Total Pass-Through Programs		<u>1,402,111</u>
Total U.S. Department of Housing and Urban Development		<u>1,560,071</u>
U.S. Department of Transportation:		
Pass-Through Program From:		
Job Access and Reverse Commute Program: State of California Department of Transportation	20.516	28,794
Total U.S. Department of Transportation		<u>28,794</u>
U.S. Department of Health and Human Services:		
Pass-Through Programs From:		
Consolidated Health Centers: Family Health Centers of San Diego	93.224	34,096
Block Grants for Prevention and Treatment of Substance Abuse: County of San Diego	93.959	442,097
Total U.S. Department of Health and Human Services		<u>476,193</u>
Total Expenditures of Federal Awards		\$ <u>2,065,058</u>

Note - Basis of Presentation

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



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**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

To the Board of Directors
Alpha Project for the Homeless

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Alpha Project for the Homeless, which comprise the statement of financial position as of June 30, 2014, 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 October 14, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Leaf & Cole LLP

San Diego, California
October 14, 2014



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**Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control Over
Compliance Required by OMB Circular A-133**

To the Board of Directors
Alpha Project for the Homeless

Report on Compliance for Each Major Federal Program

We have audited Alpha Project for the Homeless' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Alpha Project for the Homeless' major federal programs for the year ended June 30, 2014. Alpha Project for the Homeless' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Alpha Project for the Homeless' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Alpha Project for the Homeless' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Alpha Project for the Homeless' compliance.

Opinion on Each Major Federal Program

In our opinion, Alpha Project for the Homeless complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Alpha Project for the Homeless is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Alpha Project for the Homeless' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Alpha Project for the Homeless' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
October 14, 2014

**ALPHA PROJECT FOR THE HOMELESS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section I - Summary of Auditor's Results:

Financial Statements

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

Federal Awards

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

Identification of major programs:

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

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

Section II - Financial Statement Findings:

None

Section III – Federal Award Findings and Questioned Costs:

None

**ALPHA PROJECT FOR THE HOMELESS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

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



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October 14, 2014

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

Dear Mr. McElroy:

Enclosed are the audited financial statements for Alpha Project for the Homeless for the year ended June 30, 2014. Following are the filing requirements for these reports.

Federal Audit Clearinghouse:

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

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

Very truly yours,

LEAF & COLE, LLP

A handwritten signature in cursive script that reads "Julie A. Firl".

Julie A. Firl

Enclosures