



**ALPHA PROJECT FOR THE HOMELESS  
CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**



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

**ALPHA PROJECT FOR THE HOMELESS  
CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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

## Independent Auditor's Report

To the Board of Directors  
Alpha Project for the Homeless

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Alpha Project for the Homeless, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020, and the changes in their net assets and 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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also not a required part of the consolidated financial statements. Such information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements, or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2021, 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  
December 6, 2021

**ALPHA PROJECT FOR THE HOMELESS  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020**

<b>ASSETS</b>		
	<u>2021</u>	<u>2020</u>
<b><u>Current Assets:</u></b> (Notes 2, 4, 5 and 6)		
Cash and cash equivalents	\$ 7,385,663	\$ 9,033,649
Investments	3,176,097	396,492
Grants and contracts receivable	3,570,111	3,698,176
Prepaid expenses	51,391	24,618
Note receivable, current portion	34,718	33,193
Total Current Assets	<u>14,217,980</u>	<u>13,186,128</u>
<b><u>Noncurrent Assets:</u></b> (Notes 2, 4, 6, 7 and 8)		
Note receivable, net of current portion	961,956	951,356
Deposits	10,356	6,256
Property and equipment, net	2,883,178	2,379,039
Beneficial interest in endowment funds	67,454	54,227
Total Noncurrent Assets	<u>3,922,944</u>	<u>3,390,878</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>18,140,924</u></b>	<b>\$ <u>16,577,006</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b><u>Current Liabilities:</u></b> (Notes 2 and 10)		
Accounts payable	\$ 371,075	\$ 896,777
Accrued expenses	651,897	571,552
Client trust	1,667	1,347
Current portion of notes payable	23,219	32,021
Total Current Liabilities	<u>1,047,858</u>	<u>1,501,697</u>
<b><u>Noncurrent Liabilities:</u></b> (Note 10)		
Notes payable, net of current portion	448,454	472,765
Interest payable	85,938	82,188
Total Noncurrent Liabilities	<u>534,392</u>	<u>554,953</u>
Total Liabilities	<u>1,582,250</u>	<u>2,056,650</u>
<b><u>Commitments and Contingencies</u></b> (Notes 9, 13 and 14)		
<b><u>Net Assets:</u></b> (Notes 2, 11 and 12)		
Without Donor Restrictions	<u>16,388,351</u>	<u>14,357,797</u>
With Donor Restrictions:		
Purpose restriction	102,869	108,332
Time restriction	17,354	4,127
Perpetual in nature	50,100	50,100
Total Net Assets With Donor Restrictions	<u>170,323</u>	<u>162,559</u>
Total Net Assets	<u>16,558,674</u>	<u>14,520,356</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>18,140,924</u></b>	<b>\$ <u>16,577,006</u></b>

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, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b><u>Support and Revenues:</u></b>						
Grants and contracts	\$ 18,921,036	\$ -	\$ 18,921,036	\$ 17,251,190	\$ -	\$ 17,251,190
Program revenues	3,430,149	-	3,430,149	2,414,391	-	2,414,391
Contributions	1,220,951	29,650	1,250,601	8,120,818	48,565	8,169,383
In-kind contributions	1,199,956	-	1,199,956	1,540,175	-	1,540,175
Miscellaneous income	321,299	-	321,299	26,927	-	26,927
Investment income	195,865	15,545	211,410	84,477	499	84,976
Development and other fees	51,950	-	51,950	58,118	-	58,118
Net assets released from restrictions	37,431	(37,431)	-	102,829	(102,829)	-
Total Support and Revenues	<u>25,378,637</u>	<u>7,764</u>	<u>25,386,401</u>	<u>29,598,925</u>	<u>(53,765)</u>	<u>29,545,160</u>
<b><u>Expenses:</u></b>						
<b>Program Services:</b>						
Shelter programs and services	8,576,258	-	8,576,258	7,983,160	-	7,983,160
Rehabilitation program services	5,491,678	-	5,491,678	5,741,783	-	5,741,783
Permanent housing programs and services	4,390,254	-	4,390,254	4,233,300	-	4,233,300
Work programs	2,064,545	-	2,064,545	1,747,265	-	1,747,265
Permanent supportive housing assistance	1,856,600	-	1,856,600	1,625,866	-	1,625,866
Other programs	583,947	-	583,947	669,359	-	669,359
Total Program Services	<u>22,963,282</u>	<u>-</u>	<u>22,963,282</u>	<u>22,000,733</u>	<u>-</u>	<u>22,000,733</u>
<b>Supporting Services:</b>						
Management and general	334,787	-	334,787	775,900	-	775,900
Fundraising	50,014	-	50,014	101,574	-	101,574
Total Supporting Services	<u>384,801</u>	<u>-</u>	<u>384,801</u>	<u>877,474</u>	<u>-</u>	<u>877,474</u>
Total Expenses	<u>23,348,083</u>	<u>-</u>	<u>23,348,083</u>	<u>22,878,207</u>	<u>-</u>	<u>22,878,207</u>
Change in Net Assets	2,030,554	7,764	2,038,318	6,720,718	(53,765)	6,666,953
Net Assets at Beginning of Year	<u>14,357,797</u>	<u>162,559</u>	<u>14,520,356</u>	<u>7,637,079</u>	<u>216,324</u>	<u>7,853,403</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 16,388,351</u>	<u>\$ 170,323</u>	<u>\$ 16,558,674</u>	<u>\$ 14,357,797</u>	<u>\$ 162,559</u>	<u>\$ 14,520,356</u>

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, 2021**

	Program Services						Supporting Services			
	Shelter Programs and Services	Rehabilitation Program Services	Permanent Housing Programs and Services	Work Programs	Permanent Supportive Housing Assistance	Other Programs	Total Program Services	Management and General	Fund-Raising	Total Expenses
<b>Salaries and Related Expenses:</b>										
Salaries and wages	\$ 4,277,654	\$ 3,272,226	\$ 1,901,343	\$ 1,247,769	\$ 599,836	\$ 369,571	\$ 11,668,399	\$ 8,732	\$ 28,429	\$ 11,705,560
Payroll taxes and fringe benefits	693,014	600,239	357,172	254,630	109,090	54,920	2,069,065	(204,161)	4,577	1,869,481
Total Salaries and Related Expenses	4,970,668	3,872,465	2,258,515	1,502,399	708,926	424,491	13,737,464	(195,429)	33,006	13,575,041
<b>Nonsalary Related Expenses:</b>										
Adminstration	62,649	41,116	33,164	15,411	9,276	4,671	166,287	-	-	166,287
Advertising and marketing	2,748	3,463	214	415	90	313	7,243	57,149	14,287	78,679
Auto and truck	20,405	13,092	5,899	52,307	195	4,643	96,541	10,671	-	107,212
Bank fees	72	12	5,546	-	-	36	5,666	9,877	-	15,543
Bus tokens	2,766	101	4,832	-	118	424	8,241	-	-	8,241
Client assist	30	2,332	1,496,419	-	126	19,796	1,518,703	1,434	-	1,520,137
Contracted services	-	-	-	-	24,227	8,712	32,939	17,000	-	49,939
Depreciation	52,529	65,703	51,344	73,147	6,044	39,394	288,161	38,775	-	326,936
Drug testing	35	21,090	60	-	-	-	21,185	-	-	21,185
Dues and subscriptions	15,026	5,508	15,731	-	1,358	2,565	40,188	9,223	-	49,411
Equipment rental	784,237	30,705	13,014	4,434	3,080	2,105	837,575	52,232	-	889,807
Food	1,637,616	394,269	3,418	626	557,464	25,651	2,619,044	72	-	2,619,116
Gasoline	30,823	26,127	4,465	55,450	1,380	13,698	131,943	21,608	-	153,551
In-kind expenses	286,429	528,262	26,972	-	340,903	-	1,182,566	17,390	-	1,199,956
Insurance	51,626	42,825	25,535	33,713	5,288	12,652	171,639	(4,897)	-	166,742
Interest	-	196	590	551	-	766	2,103	1,982	-	4,085
Licenses and fees	3,616	48,203	2,275	13,033	536	2,608	70,271	7,602	-	77,873
Medical expense	9,299	6,967	150	525	175	750	17,866	47,102	-	64,968
Miscellaneous	50,462	11,814	19,517	3,700	14,137	5,591	105,221	157,539	-	262,760
Office expense	22,231	13,142	21,554	458	3,506	605	61,496	4,067	-	65,563
Parking	36,150	192	56	-	-	134	36,532	250	-	36,782
Postage	-	338	91	-	6	-	435	2,386	125	2,946
Professional fees	22,381	36,768	13,353	5,633	87,917	2,626	168,678	27,573	-	196,251
Property taxes	-	31,796	-	1,671	-	33	33,500	-	-	33,500
Rent	-	6,360	101,409	-	-	-	107,769	8,316	-	116,085
Repairs and maintenance	29,405	89,253	8,315	9,527	17,950	852	155,302	2,731	-	158,033
Stipends	-	6,920	55	195,156	-	-	202,131	16	-	202,147
Supplies	328,837	59,121	39,184	75,953	67,587	424	571,106	10,122	2,531	583,759
Supplies - Books	-	13,313	-	-	-	-	13,313	-	-	13,313
Technology	14,921	15,730	20,730	849	2,835	972	56,037	290	-	56,327
Telephone	30,567	20,006	35,124	1,263	1,530	7,224	95,714	1,238	65	97,017
Training	-	4,329	4,200	(76)	-	50	8,503	316	-	8,819
Trash	37,895	21,632	-	11,912	-	-	71,439	-	-	71,439
Travel	154	-	75,089	-	1,946	-	77,189	2,679	-	79,868
Uniforms	23,021	3,719	-	4,800	-	-	31,540	24,946	-	56,486
Utilities	49,660	54,809	103,434	1,688	-	2,161	211,752	527	-	212,279
<b>Total Expenses</b>	<b>\$ 8,576,258</b>	<b>\$ 5,491,678</b>	<b>\$ 4,390,254</b>	<b>\$ 2,064,545</b>	<b>\$ 1,856,600</b>	<b>\$ 583,947</b>	<b>\$ 22,963,282</b>	<b>\$ 334,787</b>	<b>\$ 50,014</b>	<b>\$ 23,348,083</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, 2020**

	Program Services						Supporting Services			
	Rehabilitation Program Services	Permanent Housing Programs and Services	Shelter Programs and Services	Permanent Supportive Housing Assistance	Other Programs	Work Programs	Total Program Services	Management and General	Fund- Raising	Total Expenses
<b>Salaries and Related Expenses:</b>										
Salaries and wages	\$ 3,110,715	\$ 1,818,203	\$ 4,260,620	\$ 550,781	\$ 357,886	\$ 973,988	\$ 11,072,193	\$ 306,284	\$ 35,177	\$ 11,413,654
Payroll taxes and fringe benefits	648,376	393,249	810,160	114,057	63,168	271,933	2,300,943	33,229	8,794	2,342,966
Total Salaries and Related Expenses	<u>3,759,091</u>	<u>2,211,452</u>	<u>5,070,780</u>	<u>664,838</u>	<u>421,054</u>	<u>1,245,921</u>	<u>13,373,136</u>	<u>339,513</u>	<u>43,971</u>	<u>13,756,620</u>
<b>Nonsalary Related Expenses:</b>										
Advertising and marketing	5,832	133	5,707	90	377	533	12,672	56,504	14,126	83,302
Auto and truck	14,562	604	6,701	160	5,147	55,637	82,811	7,417	-	90,228
Bank fees	72	6,340	469	84	308	-	7,273	3,347	-	10,620
Bus tokens	104	2,018	992	-	1,767	-	4,881	-	-	4,881
Client assist	996	1,511,451	331	-	19,657	-	1,532,435	736	-	1,533,171
Contracted services	-	-	-	27,725	45,833	-	73,558	7,500	-	81,058
Depreciation	73,332	17,309	41,797	2,044	60,541	46,447	241,470	19,198	-	260,668
Drug testing	18,564	-	-	-	-	-	18,564	-	-	18,564
Dues and subscriptions	1,255	11,002	7,737	1,387	2,924	-	24,305	6,945	-	31,250
Equipment rental	46,057	14,993	468,538	3,123	2,404	5,560	540,675	41,726	-	582,401
Food	414,117	1,531	1,333,747	416,739	23,449	16,912	2,206,495	9	-	2,206,504
Fundraising	-	-	-	-	-	-	-	-	39,087	39,087
Gasoline	29,045	2,040	32,043	45	17,232	45,239	125,644	20,090	-	145,734
In-kind expenses	999,096	26,013	177,581	321,881	-	-	1,524,571	15,605	-	1,540,176
Insurance	50,417	13,614	39,009	-	20,480	31,523	155,043	38,471	-	193,514
Interest	4,376	861	-	-	7,390	5,936	18,563	-	-	18,563
Licenses and fees	5,766	2,007	5,023	209	4,308	7,531	24,844	12,711	-	37,555
Medical expense	2,303	-	-	60	-	282	2,645	44,272	-	46,917
Meetings	-	468	-	-	-	(172)	296	503	-	799
Miscellaneous	5,064	21,651	64,399	8,476	738	1,585	101,913	72,556	-	174,469
Office expense	26,496	15,911	37,862	5,982	2,683	2,185	91,119	7,242	-	98,361
Parking	2,449	1,399	25,099	273	476	604	30,300	1,147	-	31,447
Postage	297	55	75	79	4	11	521	3,993	210	4,724
Professional fees	38,337	60,526	22,333	117,793	7,089	4,146	250,224	16,023	-	266,247
Property taxes	37,619	-	-	-	3,352	1,634	42,605	-	-	42,605
Rent	17,399	73,932	14,721	1,365	1,004	2,913	111,334	8,478	-	119,812
Repairs and maintenance	23,845	10,286	54,818	1,125	827	7,555	98,456	659	-	99,115
Stipends	7,810	-	-	-	-	188,912	196,722	-	-	196,722
Supplies	42,308	22,858	401,754	46,715	4,547	51,328	569,510	16,707	4,177	590,394
Supplies - Books	11,749	-	-	-	-	-	11,749	-	-	11,749
Technology	659	6,257	6,762	15	30	71	13,794	411	-	14,205
Telephone	20,122	22,881	47,539	2,680	6,701	4,930	104,853	161	3	105,017
Training	2,435	-	1,474	13	129	-	4,051	-	-	4,051
Trash	19,319	-	41,471	-	-	12,270	73,060	95	-	73,155
Travel	348	75,882	-	1,073	-	-	77,303	15,245	-	92,548
Uniforms	-	-	17,534	-	1,321	4,864	23,719	18,636	-	42,355
Utilities	60,542	99,826	56,864	1,892	7,587	2,908	229,619	-	-	229,619
<b>Total Expenses</b>	<u>\$ 5,741,783</u>	<u>\$ 4,233,300</u>	<u>\$ 7,983,160</u>	<u>\$ 1,625,866</u>	<u>\$ 669,359</u>	<u>\$ 1,747,265</u>	<u>\$ 22,000,733</u>	<u>\$ 775,900</u>	<u>\$ 101,574</u>	<u>\$ 22,878,207</u>

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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ 2,038,318	\$ 6,666,953
<b>Adjustments to reconcile change in net assets to net cash provided by operations:</b>		
Depreciation	326,936	260,668
Net realized and unrealized gains on investments	(130,899)	(26,534)
Beneficial interest in endowment funds gain	(15,545)	(499)
<b>(Increase) Decrease in:</b>		
Grants and contracts receivable	128,065	(1,716,668)
Prepaid expenses	(26,773)	156,312
<b>Increase (Decrease) in:</b>		
Accounts payable	(525,702)	776,622
Accrued expenses	80,345	231,619
Deferred revenue	-	(38,430)
Client trust	320	96
Interest payable	3,750	3,750
Net Cash Provided by Operating Activities	<u>1,878,815</u>	<u>6,313,889</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Sales (Purchases) of investments, net	(2,648,706)	10,091
Note receivable advance	(25,267)	(1,003,234)
Note receivable payments	13,142	18,685
Payment for deposits	(4,100)	(5,067)
Purchase of property and equipment	(831,075)	(422,530)
Change in beneficial interest in endowment funds	2,318	2,442
Net Cash Used in Investing Activities	<u>(3,493,688)</u>	<u>(1,399,613)</u>
<b><u>Cash Flows From Financing Activities:</u></b>		
Repayments on notes payable	(33,113)	(365,854)
Net Cash Used in Financing Activities	<u>(33,113)</u>	<u>(365,854)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(1,647,986)	4,548,422
Cash and Cash Equivalents at Beginning of Year	<u>9,033,649</u>	<u>4,485,227</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 7,385,663</u>	<u>\$ 9,033,649</u>
<b><u>Supplemental Disclosure of Cash Flow Information:</u></b>		
Cash paid for interest	<u>\$ 2,103</u>	<u>\$ 14,812</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, 2021 AND 2020**

**Note 1 - Organization:**

The consolidated financial statements include the following entities:

**Alpha Project for the Homeless**

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

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

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

**Alpha Square Pizzeria and Deli, LLC**

Alpha Square Pizzeria and Deli, LLC (“Alpha Square Pizzeria”) was incorporated as a single-member limited liability corporation on June 8, 2016. Alpha Square Pizzeria was non-operative for the years ended June 30, 2020 and 2019 and was dissolved on June 30, 2020.

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

**Shelter Programs and Services**

**Temporary Bridge Shelters**

Alpha Project operates two *Temporary Bridge Shelters* for single adults in downtown San Diego on behalf of the City of San Diego. *Bridge Shelter #1* is located at the corner of 16th Street and Newton Avenue. *Bridge Shelter #2* is located at 1710 Imperial Avenue. The programs utilize tools designed to effectively serve the target population in a welcoming and solutions-focused environment. Clients at the sprung structures receive emergency housing including restrooms, showers, laundry, meals, and supplies. An array of services are offered through Alpha Project and partners including medical and behavioral health services.

**Cortez Hill Family Center - Interim Housing Program**

Operated on behalf of the City of San Diego, *Cortez Hill Family Center – Interim Housing Program* offers emergency housing for homeless families with children. The program provides safe housing, meals, access to education, medical, and other wrap-around services for families with children to thrive and prepare for longer-term or permanent housing, as well as successfully promote self-sufficiency, wellness, and recovery.

**ALPHA PROJECT FOR THE HOMELESS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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

**Residential Treatment Program and Services**

**Casa Raphael – Residential Substance Use Disorder Program**

*Casa Raphael*, located at 993 and 975 Postal Way in Vista, CA 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, access to healthcare, work, financial assistance, and other support services. The program offers an intensive 12-week environment in which residents participate in an evidence-based practice curriculum.

**Permanent Housing Programs and Services**

**Rapid Re-Housing**

The *Rapid Re-Housing Program* provides housing navigation and location, case management, and financial assistance to permanently house individuals and families. The program provides application, security deposit, and short-term or medium-term rental assistance, as well as assists in securing needed furniture and supplies. The program also assists clients to access support services and resources including medical, behavioral health, legal, work training, and employment.

**Home Finder & Tenant Peer Support Services (TPSS)**

*Home Finder* and *Tenant Peer Support Services (TPSS)* programs serve clients who are 1) ages 18 years or older, 2) homeless, 3) experience serious mental illness, and 4) connected to designated County of San Diego Behavioral Health Services (BHS) outpatient clinics. Staff meets with clients at designated clinics where they start the housing process to include needs assessment, housing location, housing navigation, and supportive services. Staff also coordinates, brokers, and schedules appropriate client services with external medical, dental, and housing opportunities to meet client needs.

**Homeless Prevention and Case Management**

Alpha Project operates two prevention programs including the *Homeless Prevention and Diversion Services* program which provides single episodes of assistance with short-term case management. The *Housing Navigation and Case Management Services* for the Homeless program offers longer-term prevention support through ongoing case management and referrals to supportive services.

**ALPHA PROJECT FOR THE HOMELESS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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

**Permanent Supportive Housing Assistance**

**Alpha Square**

*Alpha Square*, welcoming residents since 2015, is located at 550 14th Street in Downtown San Diego and incorporates 203 units, including two management units, along with onsite laundry, computer lab, food pantry, commercial kitchen, community rooms, and rooftop terrace. Alpha Square provides supportive, affordable, and sustainable housing with 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.

**Alpha Lofts**

Launched in 2019, *Alpha Lofts* located at 3808 El Cajon Blvd. in Normal Heights is a supportive affordable housing complex for homeless veterans in San Diego. Alpha Project staff provides essential support services for the residents of Alpha Lofts, which offers 53 units including one manager's unit, as well as an onsite food pantry, computer lab, laundry room, and terrace. The program also connects residents to medical, behavioral health, and other necessary services.

**Other Programs**

**Food Services Program**

Alpha Project's commercial kitchen at Alpha Square is instrumental in the delivery of food services to the agency's many programs including the preparation of over 200,000 hot meals annually to shelter residents. The program also helps stock the agency's three food pantries at Alpha Square, Alpha Lofts, and Luther Tower, as well as prepares food kits for clients moving into housing of their own and emergency food kits as needed for seniors, disabled, and chronically ill clients.

**Homeless Outreach**

At the core of all of Alpha Project's facilities and services is a program of *Homeless 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. Operating in the City of San Diego, City of Vista, Chula Vista City, National City, and the Port of San Diego, outreach workers are trained in crisis response and de-escalation, with access to food, transportation and a wealth of referral sources to help individuals and families still homeless connect with housing and other sources of support.

**Case Management at Luther Tower**

*Luther Tower* offers 200 units of affordable housing to seniors. Alpha Project's *Case Management services at Luther Tower* offers residents with support accessing services and supplies including medical, behavioral health, food, as well as other wrap-arounds services.

**ALPHA PROJECT FOR THE HOMELESS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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

**Other Programs (Continued)**

**Hospice for the Homeless & Living with Dignity**

In response to the homeless deaths that occur on the streets of San Diego, in 2007 Alpha Project launched *Hospice for the Homeless* and *Living with Dignity* to provide financial assistance to homeless people diagnosed with a terminal or chronic illness. *Hospice for the Homeless* caters to those diagnosed by a physician as having 6 months or less to live. While the client's chosen hospice provider delivers medical & nursing care, medications, social worker, and behavioral health and spiritual counseling, Alpha Project provides financial assistance including security deposit, rental assistance, furniture, food, and other supplies not covered by hospice. *Living with Dignity* provides one-time assistance to help seniors, those with physical disabilities or other debilitating illnesses with emergency or critical needs such as rental assistance, transportation, food, and mobility devices such as wheelchairs, walkers, walking sticks, etc.

**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* work program.

**Work Programs**

**Special Projects**

*Special Projects* provides meaningful work and training opportunities to eligible clients able to work. 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.

**Wheels of Change**

*Wheels of Change* offers work opportunities, paying minimum wage, to individuals residing at Alpha Project's *Temporary Bridge Shelter* programs. *Wheels of Change* empowers shelter residents, builds self-esteem, and provides meaningful work experience while giving back to the community.

**ALPHA PROJECT FOR THE HOMELESS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**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**

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

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

**Estimates**

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

**Risks and Uncertainties**

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

**ALPHA PROJECT FOR THE HOMELESS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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

**Fair Value Measurements**

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

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

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

- Investments in mutual funds and corporate stocks are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- Investments in mortgage-backed securities are considered Level 2 assets and are reported at fair value based on quoted prices in active markets for similar assets at the measurement date.
- Beneficial interest in endowment funds held by San Diego Foundation is considered a Level 3 asset, which represents the fair value of the underlying assets as reported by San Diego Foundation (Note 8).

**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, 2021 and 2020.

**ALPHA PROJECT FOR THE HOMELESS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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

**Capitalization and Depreciation**

Alpha Project capitalizes all expenditures in excess of \$500 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, Alpha Project reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Alpha Project reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are 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 \$326,936 and \$260,668 for the years ended June 30, 2021 and 2020, respectively.

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

**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 2021 and 2020.

**Compensated Absences**

Accumulated unpaid vacation totaling \$354,597 and \$336,835 at June 30, 2021 and 2020, respectively, is accrued when incurred, and included in accrued expenses.



**ALPHA PROJECT FOR THE HOMELESS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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.

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

Alpha Project's program revenue consists of catering services, job revenue, and other program revenue, which is recognized as revenue as the services are performed.

Alpha Project provides development and other services in connection with the development and construction of affordable low-income housing projects. Alpha Project earns fees based on fixed-fee agreements. Due to restrictions on the funds available to pay the fees, the likelihood of collection of these amounts is not known or assured as of the date of these financial statements; therefore, revenue is recognized as payments are received.

**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, 2021 and 2020 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 \$1,199,956 and \$1,540,175 for the years ended June 30, 2021 and 2020, respectively, and have been reported as in-kind contributions and expenses.

**Functional Allocation of Expenses**

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

**ALPHA PROJECT FOR THE HOMELESS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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

**Income Taxes**

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

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

Alpha Project's Return of Organization Exempt from Income Tax for the years ended June 30, 2021, 2020, 2019, and 2018 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

**Concentration of Credit Risk**

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

**Cash and Cash Equivalents**

For purposes of the consolidated statements of cash flows, Alpha Project considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Certificates of deposits that may be redeemed without a significant penalty are considered cash and cash equivalents, regardless of the maturity. The following is a composition of the combined amounts appearing in the consolidated statements of cash flows at June 30:

	<u>2021</u>	<u>2020</u>
Cash and money market funds	\$ 5,606,456	\$ 4,499,109
Certificates of deposit	1,779,207	4,534,540
Total Cash and Cash Equivalents	<u>\$ 7,385,663</u>	<u>\$ 9,033,649</u>

Certificates of deposit included in cash and cash equivalents bear interest at rates ranging from 0.02% to 0.1%, and mature through September 2021.

**ALPHA PROJECT FOR THE HOMELESS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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

**Accounting Pronouncements Adopted**

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. This standard removed, modified, and added additional disclosure requirements on fair value measurements, specifically surrounding: (a) the amount of and reasons for transfers between Level 1 and Level 2 investments, (b) the policy for timing of these transfers, (c) the valuation process for Level 3 fair value measurements, and (d) the changes in unrealized gains and losses for the period including earnings on Level 3 fair value measurements held at the end of the reporting period. Alpha Project has adopted this ASU for the year ended June 30, 2021. The adoption had no material effect on the 2021 consolidated financial statements.

**Subsequent Events**

In preparing these consolidated financial statements, Alpha Project has evaluated events and transactions for potential recognition or disclosure through December 6, 2021, 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 - Liquidity and Availability:**

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

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 7,385,663	\$ 9,033,649
Investments	3,176,097	396,492
Grants and contracts receivable	3,570,111	3,698,176
Note receivable, current portion	34,718	33,193
Appropriation of endowment fund earnings	2,500	2,000
Financial assets available for general expenditures within one year	<u>\$ 14,169,089</u>	<u>\$ 13,163,510</u>

In addition to financial assets available to meet general expenditures over the next 12 months, Alpha Project operates with a balanced budget, and anticipates collecting sufficient revenue to cover general expenditures.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is available for general use. Appropriations of endowment fund earnings are made in accordance with the spending policy, as described in Note 12. Donor-restricted endowment funds of a perpetual nature are not available for general expenditure.

**ALPHA PROJECT FOR THE HOMELESS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**Note 4 - Fair Value Measurements:**

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

	2021			
	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, 2021
Mutual funds	\$ 2,067,240	\$ -	\$ -	\$ 2,067,240
Corporate stocks	1,108,857	-	-	1,108,857
Beneficial interest in endowment funds (Note 8)	-	-	67,454	67,454
	<u>\$ 3,176,097</u>	<u>\$ -</u>	<u>\$ 67,454</u>	<u>\$ 3,243,551</u>
	2020			
	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, 2020
Mutual funds	\$ 328,105	\$ -	\$ -	\$ 328,105
Corporate stocks	68,387	-	-	68,387
Beneficial interest in endowment funds (Note 8)	-	-	54,227	54,227
	<u>\$ 396,492</u>	<u>\$ -</u>	<u>\$ 54,227</u>	<u>\$ 450,719</u>

The reconciliation for financial instruments measured at fair value on a recurring basis as significant unobservable inputs (Level 3) are included in Note 8, as indicated above.

**ALPHA PROJECT FOR THE HOMELESS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**Note 4 - 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:

2021				
<u>Instrument</u>	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Significant Input Values</u>
Beneficial interest in endowment funds	\$ 67,454	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A
2020				
<u>Instrument</u>	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Significant Input Values</u>
Beneficial interest in endowment funds	\$ 54,227	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A

**Note 5 - Investments:**

Investments consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Mutual funds	\$ 2,067,240	\$ 328,105
Corporate stocks	1,108,857	68,387
Total Investments	<u>\$ 3,176,097</u>	<u>\$ 396,492</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2021</u>
Interest and dividends	\$ 75,115	-	\$ 75,115
Net realized and unrealized gains	130,899	15,545	146,444
Investment fees	(10,149)	-	(10,149)
Total Investment Income	<u>\$ 195,865</u>	<u>15,545</u>	<u>\$ 211,410</u>

**ALPHA PROJECT FOR THE HOMELESS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**Note 5 - Investments: (Continued)**

	Without Donor Restrictions	With Donor Restrictions	Total 2020
Interest and dividends	\$ 61,762	\$ -	\$ 61,762
Net realized and unrealized gains	26,534	499	27,033
Investment fees	(3,819)	-	(3,819)
Total Investment Income	<u>\$ 84,477</u>	<u>\$ 499</u>	<u>\$ 84,976</u>

**Note 6 - Note Receivable:**

On November 18, 2019, Alpha Project issued a \$1,033,234 loan to Anaheim Gardens Corporation, a related entity. The note bears interest at 4.50% and is payable in monthly installments of principal and interest of \$6,402. The note is due August 18, 2039 and is unsecured. The balance on the note receivable totaled \$996,674 and \$984,549 at June 30, 2021 and 2020, respectively.

Future principal payments on the note receivable are as follows:

<u>Years Ended June 30</u>	
2022	\$ 34,718
2023	36,312
2024	37,980
2025	39,726
2026	41,190
Thereafter	806,748
Total	<u>\$ 996,674</u>

**Note 7 - Property and Equipment:**

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 1,455,913	\$ 992,592
Buildings and improvements	1,553,979	1,548,254
Equipment, furniture and fixtures	829,744	706,576
Vehicles	1,941,249	1,702,388
Construction in progress	10,218	10,218
Subtotal	<u>5,791,103</u>	<u>4,960,028</u>
Less: Accumulated depreciation	<u>(2,907,925)</u>	<u>(2,580,989)</u>
Property and Equipment, Net	<u>\$ 2,883,178</u>	<u>\$ 2,379,039</u>

**ALPHA PROJECT FOR THE HOMELESS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**Note 8 - Beneficial Interest in Endowment Funds:**

Alpha Project has a beneficial interest in endowment funds held by San Diego Foundation, which are classified as permanently restricted, as these investments must be maintained in perpetuity. The beneficial interest is invested in a portfolio of equity and debt securities, which is structured for long-term return consisting of 48% international equities, 26% alternative investments, 14% fixed income, 6% real assets, and 2% real estate.

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

	<u>2021</u>	<u>2020</u>
Balance at Beginning of Year	\$ 54,227	\$ 56,170
Investment gain	15,545	499
Distributions	<u>(2,318)</u>	<u>(2,442)</u>
Balance at End of Year	<u>\$ 67,454</u>	<u>\$ 54,227</u>

**Note 9 - Line-of-Credit:**

Alpha Project had an unsecured line-of-credit with Wells Fargo in the amount of \$150,000, with interest at the bank's prime rate plus 1.75% (7.25% at June 30, 2021 and 2020). The line-of-credit was closed in April 2021.

**Note 10 - Notes Payable:**

Notes payable consist of the following at June 30:

	<u>2021</u>	<u>2020</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 \$85,938 and \$82,188 at June 30, 2021 and 2020, respectively.	\$ 125,000	\$ 125,000
Note payable to the County of San Diego Department of Housing and Community Development, noninterest-bearing, principal due July 2053. Secured by real property.	235,000	235,000
Note payable to the City of San Diego, noninterest bearing, no monthly payments. Repayment only upon termination of the related housing program. Secured by real property.	82,500	82,500

(Continued)

**ALPHA PROJECT FOR THE HOMELESS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**Note 10 - Notes Payable: (Continued)**

	<u>2021</u>	<u>2020</u>
Note payable to Ally Bank & Trust, payable in monthly installments of \$637 including interest at 3.35%, due November 2020. Secured by a vehicle.	\$ -	\$ 2,518
Note payable to Ford Credit, payable in monthly installments of \$513 including interest at 3.39%. Secured by a vehicle.	3,055	8,955
Note payable to Ford Credit, payable in monthly installments of \$551 including interest at 4.84%. Secured by a vehicle.	8,544	15,121
Note payable to Ford Credit, payable in monthly installments of \$503 including interest at 4.84%. Secured by a vehicle.	8,560	14,625
Note payable to Ford Credit, payable in monthly installments of \$503 including interest at 4.84%. Secured by a vehicle.	7,349	12,908
Note payable to GM Financial, payable in monthly installments of \$556 including interest at 3.39%. Secured by a vehicle.	<u>1,665</u>	<u>8,159</u>
Total Notes Payable	471,673	504,786
Less: Current Portion	<u>(23,219)</u>	<u>(32,021)</u>
Notes Payable, Net of Current Portion	<u>\$ 448,454</u>	<u>\$ 472,765</u>

Future principal payments on the notes payable are as follows:

<u>Years Ended June 30</u>	
2022	\$ 23,219
2023	5,954
2024	-
2025	-
2026	-
Thereafter	<u>442,500</u>
Total	<u>\$ 471,673</u>



**ALPHA PROJECT FOR THE HOMELESS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**Note 11 - Net Assets With Donor Restrictions:**

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

	<u>2021</u>	<u>2020</u>
<b>Subject to Expenditure for Specified Purpose:</b>		
Hospice	\$ 76,264	\$ 59,079
Rapid Rehousing Family	26,605	26,605
Wheels for Change	-	22,648
Total Subject to Expenditure for Specified Purpose	102,869	108,332
<b>Subject to the Passage of Time:</b>		
Accumulated earnings on endowment assets	17,354	4,127
<b>Perpetual in Nature:</b>		
Endowment (Note 12)	50,100	50,100
Total Net Assets with Donor Restrictions	\$ 170,323	\$ 162,559

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

	<u>2021</u>	<u>2020</u>
<b>Purpose Restrictions Accomplished:</b>		
Wheels for Change	\$ 22,648	\$ 77,352
Rapid Rehousing Family	12,465	16,457
Hospice	-	6,578
<b>Appropriation of accumulated earnings on endowment assets</b>	2,318	2,442
	\$ 37,431	\$ 102,829

**Note 12 - Endowment Net Assets:**

The endowment funds of Alpha Project are held by San Diego Foundation (the "Foundation"). The Foundation manages the funds in accordance with the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Foundation's objective is to maintain the purchasing power (real value) of the endowment funds. Alpha Project classifies donor-restricted net assets of a perpetual nature held by the Foundation as:

- The original value of gifts donated to the fund
- The original value of Alpha Project funds transferred to the fund
- The original value of subsequent gifts donated to the fund

Alpha Project considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Alpha Project has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Alpha Project has no underwater endowment funds at June 30, 2021 and 2020.

**ALPHA PROJECT FOR THE HOMELESS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**Note 12 - Endowment Net Assets: (Continued)**

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

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

The Foundation's endowment funds are invested in a portfolio of equity and debt securities, which is structured for long-term total return. The Foundation's spending policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis. If the market value of the Endowment Principal of any fund, at the end of each month, is less than the initial value of all contributions made to the Endowment Principal, then distributions will be limited to interest and dividends received.

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

	<u>With Donor Restrictions</u>	<u>With Donor Restrictions - Perpetual</u>	<u>Total</u>
Endowment Net Assets at June 30, 2019	\$ 6,070	\$ 50,100	\$ 56,170
Net realized and unrealized appreciation	499	-	499
Appropriation of endowment assets for expenditure	<u>(2,442)</u>	<u>-</u>	<u>(2,442)</u>
Endowment Net Assets at June 30, 2020	4,127	50,100	54,227
Net realized and unrealized appreciation	15,545	-	15,545
Appropriation of endowment assets for expenditure	<u>(2,318)</u>	<u>-</u>	<u>(2,318)</u>
Endowment Net Assets at June 30, 2021	<u>\$ 17,354</u>	<u>\$ 50,100</u>	<u>\$ 67,454</u>

**Note 13 - Commitments:**

**Employee Benefit Plan**

Alpha Project established a 403(b) profit and sharing plan (the "Plan") covering all full-time employees of Alpha Project. Employees may defer up to 25% of their annual compensation, not to exceed the annual amount allowed by law. Alpha Project may contribute a discretionary matching contribution each year. There were no matching contributions for the years ended June 30, 2021 and 2020.

**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, 2021 and 2020.

**ALPHA PROJECT FOR THE HOMELESS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**Note 13 - Commitments: (Continued)**

**Operating Leases**

Alpha Project leases vehicles and equipment under non-cancelable operating leases that expire at various dates through March 2025. Rental expense under these leases totaled \$128,717 and \$114,285 for the years ended June 30, 2021 and 2020, 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 \$161,974 and \$119,811 for the years ended June 30, 2021 and 2020, respectively.

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

Years Ended June 30	
2022	\$ 101,970
2023	62,386
2024	31,884
2025	21,695
2026	11,605
Total	<u>\$ 229,540</u>

**Development Fees**

A developer fee was earned by Alpha Project for development services provided to Oxford Terrace Partners, LP, in the amount of \$1,109,603. The unpaid balance totaled \$436,277 at June 30, 2021 and 2020. Alpha Project did not receive any developer fee payments for the years ended June 30, 2021 and 2020.

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 \$353,994 at June 30, 2021 and 2020, respectively. Alpha Project did not receive any developer fee payments for the years ended June 30, 2021 and 2020.

Alpha Project has an agreement with Chelsea Investment Corporation to provide development services for Alpha Square 9% and Alpha Square 4. Alpha Project did not receive any developer fee payments for the years ended June 30, 2021 and 2020.

Alpha Project has an agreement with CREA Luther Towers, LLC to provide development services for Luther Towers. Alpha Project did not receive any developer fee payments for the years ended June 30, 2021 and 2020.

Alpha Project has an agreement with Normal Heights CIC, LP, to provide development services for Alpha Lofts. Alpha Project received \$51,950 and \$58,118 for development fees for the years ended June 30, 2021 and 2020, respectively.

Due to restrictions on the funds available to pay the developer fees, the likelihood of collection of these amounts is not known or assured as of the date of these financial statements; therefore, no amounts have been recorded as a receivable at June 30, 2021 and 2020.

**ALPHA PROJECT FOR THE HOMELESS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**Note 14 - Contingencies:**

**Legal**

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.

**Grants and Contracts Revenues**

Grants and contracts revenues from governmental grants are subject to audits by the grantor agency. The ultimate determinations of amounts received under these programs are generally based upon allowable costs reported to and audited by the grantor agency. Until such audits are completed, there exists the contingency to refund any amounts received in excess of the allowable costs.

**Coronavirus Pandemic Contingency:**

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. Alpha Project is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on Alpha Project's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on Alpha Project's donors, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact Alpha Project's financial position and changes in net assets and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

**ALPHA PROJECT FOR THE HOMELESS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grants/Pass -Through Grantor/Program or Cluster Title	Assistance Listing 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	CA1600L9D011903	\$ -	\$ 1,293,185
Continuum of Care Program		CA1792L9D011901	-	354,571
Continuum of Care Program		CA1600L9D011904	-	340,243
Continuum of Care Program		CA1508L9D011803	-	181,099
Total Direct Program			-	<u>2,169,098</u>
<b>Pass-Through Programs From:</b>				
Community Development Block Grants/ Entitlement Grants:				
	14.218			
San Diego Housing Commission		HHI-19-06.2	-	102,486
City of Vista		None	-	17,872
Total Community Development Block			-	<u>120,358</u>
Emergency Solutions Grant Program:				
San Diego Housing Commission	14.231	HHI-19-06.2	-	281,851
Total Pass-Through Programs			-	<u>402,209</u>
Total U.S. Department of Housing and Urban Development			-	<u>2,571,307</u>
<b>U.S. Department of Treasury</b>				
<b>Pass-Through Programs From:</b>				
Coronavirus Relief Fund	21.019			
San Diego Housing Commission		HHI-19-06.2	-	187,359
County of San Diego		553502	-	10,882
County of San Diego		553468	-	27,018
County of San Diego		558193	-	4,639
Total Coronavirus Relief Fund			-	<u>229,898</u>
Total Pass-Through Programs			-	<u>229,898</u>
Total U.S. Department of Treasury			-	<u>229,898</u>
<b>U.S. Department of Health and Human Services:</b>				
<b>Pass-Through Programs From:</b>				
Medical Assistance Program	93.778			
County of San Diego		553468	-	2,062,807
Block Grants for Prevention and Treatment of Substance Abuse:				
County of San Diego	93.959	553468	-	1,654,866
Total U.S. Department of Health and Human Services			-	<u>3,717,673</u>
<b>Federal Emergency Management Agency:</b>				
<b>Pass-Through Program From:</b>				
Emergency Food and Shelter National Board Program	97.024			
Catholic Charities, Diocese of San Diego		None	-	74,268
Total Federal Emergency Management Agency			-	<u>74,268</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ -</u>	<u>\$ 6,593,146</u>

**ALPHA PROJECT FOR THE HOMELESS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**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, 2021. 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 consolidated statement of financial position as of June 30, 2021, and the related consolidated 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 December 6, 2021.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Alpha Project for the Homeless' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. 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  
December 6, 2021





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

**Independent Auditor's Report on Compliance  
for the Major Program and on Internal Control Over  
Compliance Required by the Uniform Guidance**

To the Board of Directors  
Alpha Project for the Homeless

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

We have audited Alpha Project for the Homeless' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Alpha Project for the Homeless' major federal program for the year ended June 30, 2021. 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, 2021.

## 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  
December 6, 2021

**ALPHA PROJECT FOR THE HOMELESS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Section I - Summary of Auditor's Results:**

**Financial Statements**

Type of auditor's report issued on whether the consolidated financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	_____	Yes	_____	X	No
Significant deficiencies identified?	_____	Yes	_____	X	No

Noncompliance material to consolidated financial statements noted? \_\_\_\_\_ Yes       X       No

**Federal Awards**

Type of auditor's report issued on compliance for the major program: Unmodified

Internal control over major program:

Material weaknesses identified?	_____	Yes	_____	X	No
Significant deficiencies identified?	_____	Yes	_____	X	No

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes       X       No

Identification of the major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund
93.959	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**