

**THE ALLIANCE FOR HOUSING AND HEALING
(DBA THE SERRA PROJECT)
(DBA AID FOR AIDS)**

**FINANCIAL STATEMENTS,
SUPPLEMENTAL SCHEDULE,
and
ADDITIONAL INFORMATION**

JUNE 30, 2014

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Certified Public Accountants, LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Alliance for Housing and Healing
(dba The Serra Project)
(dba Aid for AIDS)

Report on the Financial Statements

We have audited the accompanying financial statements of The Alliance for Housing and Healing (dba The Serra Project) (dba Aid for AIDS) (a nonprofit organization), 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.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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 auditors' 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 auditors consider internal control relevant to The Alliance for Housing and Healing's (dba The Serra Project) (dba Aid for AIDS) 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 The Alliance for Housing and Healing (dba The Serra Project) (dba Aid for AIDS) as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITORS' REPORT

continued

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of The Alliance for Housing and Healing (dba The Serra Project) (dba Aid for AIDS) as a whole. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis 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.

Summarized Comparative Information

We have previously audited The Alliance for Housing and Healing's (dba The Serra Project) (dba Aid for AIDS) June 30, 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 3, 2014. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2014 on our consideration of The Alliance for Housing and Healing's (dba The Serra Project) (dba Aid for AIDS) 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 The Alliance for Housing and Healing's (dba The Serra Project) (dba Aid for AIDS) internal control over financial reporting and compliance.

Harrington Group

Pasadena, California

November 11, 2014

**THE ALLIANCE FOR HOUSING AND HEALING
(DBA THE SERRA PROJECT)
(DBA AID FOR AIDS)**

STATEMENT OF FINANCIAL POSITION

June 30, 2014

With comparative totals at June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014</u>	<u>2013</u>
Assets				
Cash	\$ 526,387	\$ 1,610	\$ 527,997	\$ 493,929
Accounts receivable	1,157,046		1,157,046	1,139,278
Trust receivable	23,310		23,310	110,000
Other receivable	-		-	7,422
Prepaid expenses	70,689		70,689	74,272
Deposits	166,477		166,477	161,581
Property and equipment (Note 3)	8,571		8,571	8,682
Total assets	<u>\$ 1,952,480</u>	<u>\$ 1,610</u>	<u>\$ 1,954,090</u>	<u>\$ 1,995,164</u>
Liabilities and net assets				
Liabilities				
Accounts payable	\$ 25,614	\$ -	\$ 25,614	\$ 14,130
Accrued expenses (Note 4)	435,513		435,513	609,886
Total liabilities	<u>461,127</u>	<u>-</u>	<u>461,127</u>	<u>624,016</u>
Net assets				
Unrestricted	1,491,353		1,491,353	1,368,978
Temporarily restricted (Note 6)	-	1,610	1,610	2,170
Total net assets	<u>1,491,353</u>	<u>1,610</u>	<u>1,492,963</u>	<u>1,371,148</u>
Total liabilities and net assets	<u>\$ 1,952,480</u>	<u>\$ 1,610</u>	<u>\$ 1,954,090</u>	<u>\$ 1,995,164</u>

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

**THE ALLIANCE FOR HOUSING AND HEALING
(DBA THE SERRA PROJECT)
(DBA AID FOR AIDS)**

STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

With comparative totals for the year ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014</u>	<u>2013</u>
Revenue and support				
Government contracts and grants (Note 7)	\$ 6,455,552	\$ -	\$ 6,455,552	\$ 5,985,607
Contributions	600,131	70,500	670,631	483,722
Special events, net of expenses of \$93,514	312,045		312,045	281,187
Service fees	164,466		164,466	143,860
Other income	543		543	361
Net assets released from program restrictions	71,060	(71,060)	-	-
Total revenue and support	<u>7,603,797</u>	<u>(560)</u>	<u>7,603,237</u>	<u>6,894,737</u>
Expenses				
Program services	7,052,895		7,052,895	6,604,325
Support services	428,527		428,527	423,584
Total expenses	<u>7,481,422</u>	<u>-</u>	<u>7,481,422</u>	<u>7,027,909</u>
Change in net assets	122,375	(560)	121,815	(133,172)
Net assets, beginning of year	<u>1,368,978</u>	<u>2,170</u>	<u>1,371,148</u>	<u>1,504,320</u>
Net assets, end of year	<u>\$ 1,491,353</u>	<u>\$ 1,610</u>	<u>\$ 1,492,963</u>	<u>\$ 1,371,148</u>

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

**THE ALLIANCE FOR HOUSING AND HEALING
(DBA THE SERRA PROJECT)
(DBA AID FOR AIDS)**

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2014
With comparative totals for the year ended June 30, 2013

	Program Services	Support Services		Total Support Services	Total Expenses	
		Management and General	Fund Development		2014	2013
Salaries	\$ 2,454,268	\$ 83,226	\$ 209,634	\$ 292,860	\$ 2,747,128	\$ 2,622,757
Payroll taxes and benefits	654,201	16,599	40,691	57,290	711,491	680,721
Total personnel costs	3,108,469	99,825	250,325	350,150	3,458,619	3,303,478
Direct client assistance						
Rent/move-in assistance	810,176			-	810,176	664,407
Nutritional supplements	150,401			-	150,401	168,576
Utilities assistance	43,010			-	43,010	38,581
Other assistance	8,731			-	8,731	9,484
Transportation				-	-	160
Total direct client assistance	1,012,318	-	-	-	1,012,318	881,208
Occupancy - rental and property tax expense	2,153,957	5,904	14,562	20,466	2,174,423	2,082,226
Food	148,137	377	187	564	148,701	151,203
Repairs, maintenance, and cleaning	91,475			-	91,475	70,795
Professional services	68,799	5,787	98	5,885	74,684	41,358
Utilities	72,420			-	72,420	80,122
Medical supplies and waste	69,836			-	69,836	49,179
Household supplies and furniture	65,905			-	65,905	68,431
Telephone	61,616	1,313	1,585	2,898	64,514	69,983
Transportation, mileage, and auto costs	46,226	3,878	136	4,014	50,240	48,035
Insurance and license fees	38,917	320		320	39,237	30,738
Office expense and supplies	33,449	1,878	3,418	5,296	38,745	50,849
Client activities and necessities	29,793			-	29,793	26,698
Printing, copying, and duplicating	18,548	730	3,804	4,534	23,082	11,045
Interest expense and bank charges	12,909	5,198	2,033	7,231	20,140	14,881
Fundraising, promotion, and decoration			14,321	14,321	14,321	10,342
Staff development and appreciation	7,395	3,789	882	4,671	12,066	11,497
Moving and storage expense	9,986	1,041	520	1,561	11,547	17,186
Postage and mailing	1,262	3,965	847	4,812	6,074	7,491
Miscellaneous	1,366	1,318	486	1,804	3,170	6
Depreciation	112			-	112	1,158
Total 2014 functional expenses	\$ 7,052,895	\$ 135,322	\$ 293,205	\$ 428,527	\$ 7,481,422	
Total 2013 functional expenses	\$ 6,604,325	\$ 131,322	\$ 292,262	\$ 423,584		\$ 7,027,909

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

**THE ALLIANCE FOR HOUSING AND HEALING
(DBA THE SERRA PROJECT)
(DBA AID FOR AIDS)**

STATEMENT OF CASH FLOWS

For the year ended June 30, 2014

With comparative totals for the year ended June 30, 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 121,815	\$ (133,172)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	112	1,158
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(17,768)	(186,192)
Decrease in trust receivable	86,690	-
Decrease (increase) in other receivable	7,422	(7,422)
Decrease in prepaid expenses	3,583	4,434
(Increase) in deposits	(4,896)	(33,010)
Increase (decrease) in accounts payable	11,483	(4,841)
(Decrease) in accrued expenses	(174,373)	(291,298)
	34,068	(650,343)
Net cash provided (used) by operating activities		
	34,068	(650,343)
Net increase (decrease) in cash		
	34,068	(650,343)
Cash, beginning of year	493,929	1,144,272
Cash, end of year	\$ 527,997	\$ 493,929

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

**THE ALLIANCE FOR HOUSING AND HEALING
(DBA THE SERRA PROJECT)
(DBA AID FOR AIDS)**

NOTES TO FINANCIAL STATEMENTS

1. Organization

The Alliance for Housing and Healing (“AHH”) (dba The Serra Project) (dba Aid for AIDS) is a public benefit nonprofit corporation that serves low-income persons with AIDS (Acquired Immune Deficiency Syndrome). AHH is comprised of two previously separate organizations—The Serra Project and Aid For AIDS (“AFA”)—which merged effective March 2, 2009 under a single 501(c)(3) to reduce overhead, consolidate programs and strengthen services aimed at reducing AIDS-related homelessness. Because of the merger, The Serra Project and AFA now operate as service divisions of AHH but continue to provide the services for which each is known: The Serra Project provides fixed housing with supportive services; AFA provides short-term financial assistance for the necessities of life. Both service divisions target homeless, unstably housed and disabled individuals and families with acute HIV/AIDS and serious co-occurring conditions. All primary clients are living with HIV or AIDS, have incomes at or below 200% of federal poverty level, and are residents of Los Angeles County.

Housing Programs of The Serra Project. The Serra Project was founded in 1987 in response to the growing number of people left homeless by their battle with acute HIV and AIDS. The Serra Project has four group homes that are licensed Residential Care Facilities for the Chronically Ill (“RCFCIs”). Six-bed Casa Los Angeles, in the Pico-Crenshaw area (opened June 1988); 11-bed Casa Soldano, in Long Beach (opened June 1990); 10-bed Casa Madona—the only RCFCI in California specifically for AIDS-impacted women and their children—near downtown Los Angeles (opened September 1992); and 10-bed Casa de Corazon, also in Long Beach (opened August 2007). The homes provide 24-hour care by Certified Nurse Assistant, HIV-specific meals, nurse, social worker, case management, and hospice services. In 1998, with the advent of life-prolonging highly active antiretroviral therapy (“HAART”), The Serra Project launched Community Housing Options at Independent Supported Sites (“CHOISS”, pronounced “choice”), which provides permanent supportive housing to homeless, multi-diagnosed persons living with HIV/AIDS and their families. CHOISS is a scattered-site leasing program with units throughout Los Angeles County. Housing and supportive services are provided in 148 furnished rental units that are maintained by The Serra Project.

Financial Assistance Programs of Aid for AIDS. Founded in 1983, AFA is the area’s foremost provider of direct financial assistance to individuals and households impoverished and disabled by HIV/AIDS. The purpose of AFA cash assistance is to supplement existing income and provide emergency funds as clients await receipt of other support, such as government benefits. Through the AFA resource center in West Hollywood, clients may apply for short-term financial assistance for the necessities of life, including food, housing, utilities and wellness items (i.e., vitamins, anti-nausea medications and incontinency supplies, which are not covered by public benefits). Assistance goes not to clients themselves but to the verified, third-party providers on whom they depend (i.e. landlords, utility companies, grocery stores, and pharmacies).

**THE ALLIANCE FOR HOUSING AND HEALING
(DBA THE SERRA PROJECT)
(DBA AID FOR AIDS)**

NOTES TO FINANCIAL STATEMENTS

1. Organization, continued

Housing Case Management. Both The Serra Project and AFA provide housing case management services to persons living with HIV/AIDS. Housing case managers trained in the special needs of AIDS patients help low-income applicants formulate housing plans, build resources, navigate the search process and make the actual move into housing. In addition to its own programs, AFA administers the largest contract in Los Angeles County for the federally mandated Housing Opportunities for Persons with AIDS (“HOPWA”), Short-Term Rent, Mortgage and Utility (“STRMU”), and Permanent Housing Placement (“PHP”) assistance programs. In this capacity, AFA provides STRMU and PHP grants, oversight and training to 22 other community-based organizations.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of AHH are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted. These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily Restricted. AHH reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the 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 program or capital restrictions.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit AHH to expend all of the income (or other economic benefits) derived from the donated assets. AHH has no permanently restricted net assets at June 30, 2014.

continued

**THE ALLIANCE FOR HOUSING AND HEALING
(DBA THE SERRA PROJECT)
(DBA AID FOR AIDS)**

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Accounts Receivable

Accounts receivable are receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

Unrecorded Deposits

AHH had functioned as the Los Angeles Area Central Coordinating Agency for the HOPWA grant since August 2001 and had expended funds for move-in grant security deposits. The landlords, who receive the funds, have agreed to return the portions of the deposits remaining after any damages or non-payment of rent. Any amount refunded is payable to the HOPWA granting agency. As the deposits are ultimately payable to the HOPWA granting agency, they have not been recorded as an asset of AHH.

Revenue Recognition

AHH receives client service revenue under various governmental grants which pay AHH based on units of service provided or reimbursable costs as defined by the grants. Reimbursable costs expended in excess of reimbursements are recorded as contract receivable from government agency. Any differences between expense incurred and the total funds received (not to exceed the grant or contract maximum) is recorded as a receivable or an advance whichever is applicable. Also, advances received prior to providing services or expending reimbursable costs are recorded as refundable advances from the government agency. Reimbursements recorded under these grants are subject to audit. Management believes that material adjustments will not result from subsequent audits, if any, of costs reflected in the accompanying financial statements. Revenue from contributions is recorded upon notification of the donation.

Concentration of Credit Risks

AHH places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. AHH has not incurred losses related to these investments.

The primary receivable balance outstanding at June 30, 2014 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of AHH's receivables consist of earned fees from contract programs granted by governmental agencies.

For the fiscal year ended June 30, 2014, approximately 85% of AHH's revenues and support was received from governmental agencies.

**THE ALLIANCE FOR HOUSING AND HEALING
(DBA THE SERRA PROJECT)
(DBA AID FOR AIDS)**

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred.

Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended June 30, 2014, AHH did not receive donation of materials or services that satisfy the criteria for recognition.

Income Taxes

AHH is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by AHH in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. AHH's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing AHH's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. AHH uses total direct costs to allocate indirect costs.

Management and general expenses reflected in the Statement of Functional Expenses reflects management and general expenses after allocation of those expenses to program activities. Total management and general, prior to allocation, were as follows:

Salaries and benefits	\$503,362
Non-personnel expenses	<u>74,535</u>
Total administrative expenses	<u>\$577,897</u>

continued

**THE ALLIANCE FOR HOUSING AND HEALING
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NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Use of Estimates

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

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with AHH's financial statements for the year ended June 30, 2013 from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through November 11, 2014, the date which the financial statements were available.

3. Property and Equipment

Property and equipment at June 30, 2014 consist of the following:

Building and improvements	\$ 166,231
Furniture and equipment	94,672
Computer equipment	95,112
Automotive equipment	<u>51,891</u>
	407,906
Less: accumulated depreciation	<u>(399,335)</u>
	<u>\$ 8,571</u>

4. Accrued Expenses

Accrued expenses at June 30, 2014 consist of the following:

Contract advances	\$ 56,450
Accrued vacation	133,483
Accrued salaries	140,694
Other accrued expenses	<u>104,886</u>
	<u>\$435,513</u>

continued

**THE ALLIANCE FOR HOUSING AND HEALING
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NOTES TO FINANCIAL STATEMENTS

5. Commitments and Contingencies

Obligation Under Operating Leases

AHH leases offices and equipment under operating leases expiring through 2016. Future minimum payments, by year and in the aggregate, under these leases with remaining terms of one year or more, are as follows:

<u>Year ended June 30,</u>	
2015	\$124,659
2016	<u>5,719</u>
	<u>\$130,378</u>

Rent expense under operating leases, including month-to-month and long-term leases, were \$1,998,831 for the year ended June 30, 2014.

Contracts

AHH grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. Liabilities, if any, which may result from any other governmental audits cannot be reasonably estimated and, accordingly, AHH has no provisions for the possible disallowance of any other program costs on its financial statements.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 consist of \$1,610 restricted for program purposes.

7. Government Contracts and Grants

Government contracts and grants at June 30, 2014, consist of the following:

CHOISS program	\$2,736,839
RCFCI program	1,686,237
Supportive Housing Program	1,651,637
Collaborative for Housing Integrated with Support Service (CHISS) program	261,177
West Hollywood contract	94,662
Other	<u>25,000</u>
	<u>\$6,455,552</u>

SUPPLEMENTAL SCHEDULE

**THE ALLIANCE FOR HOUSING AND HEALING
(DBA THE SERRA PROJECT)
(DBA AID FOR AIDS)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2014

<u>Program Name</u>	<u>Contract Number</u>	<u>Federal CFDA No.</u>	<u>Federal Expenditures</u>
Federal awards			
Department of Housing and Urban Development ("HUD"):			
(Direct)			
Supportive Housing	CA0356B9D001104	14.235	\$ 117,635
Supportive Housing	CA0356B9D001204	14.235	160,920
Supportive Housing	CA0357B9D001104	14.235	156,429
Supportive Housing	CA0357B9D001205	14.235	156,033
Sub-total HUD Direct			591,017
Pass-through, Pasadena Community Development Division:			
Supportive Housing	CA0655L9D071205	14.235	97,000
Supportive Housing	CA0656L9D071205	14.235	110,972
Sub-total pass-through, Pasadena Community Division			207,972
Pass-through, Los Angeles Homeless Services Authority ("LAHSA"):			
Supportive Housing	CA0353B9D001205	14.235	49,566
Supportive Housing	CA0353L9D001306	14.235	40,331
Supportive Housing	CA0861L9D001201	14.235	248,296
Supportive Housing	CA0861L9D001302	14.235	86,710
Supportive Housing	CA0354L9D001205	14.235	179,007
Supportive Housing	CA0354L9D001306	14.235	58,389
Supportive Housing	CA0355B9D001104	14.235	89,950
Supportive Housing	CA0355L9D001205	14.235	86,038
Sub-total pass-through, LAHSA			838,287
Pass-through, City of Long Beach:			
Supportive Services	CA06392L9D061205	14.235	34,298
Sub-total pass-through, City of Long Beach			34,298
Pass-through, City of Los Angeles, Los Angeles Housing Department ("LAHD"):			
Housing Opportunities for Persons with AIDS ("HOPWA")			
Short Term Rent, Mortgage and Utility Assistance (a)	C-120371	14.241	408,485
Permanent Housing Placement Grants (a)	C-120371	14.241	739,346
Support Services in Permanent Housing (a)	C-120371	14.241	188,799
Other Support Services (a)	C-120371	14.241	606,090
Emergency Shelter and Transitional Housing (a)	C-120371	14.241	314,652
Scattered Sites Master Leasing Housing (a)	C-120371	14.241	479,281
Sub-total pass-through, City of Los Angeles, LAHD			2,736,653
Pass-through, County of Los Angeles, Department of Public Health			
Housing Opportunities for Persons with AIDS ("HOPWA")			
Collaborative for Housing Integrated with Support Services ("CHISS") (a)	PH-002189 Sch. 01	14.241	265,516
Total HUD			4,673,743
Department of Homeland Security ("DOHS")			
Pass-through, United Way, Emergency Food and Shelter Program: Phase 28			
Sub-total pass-through, United Way	N/A	97.024	25,000
Total Federal Awards			\$ 4,698,743

(a) Audited as a major program

Summary of Significant Accounting Policies

1. Basis of Accounting - The Schedule of Expenditures of Federal Awards has been reported on the accrual basis of accounting.
2. AHH is exempt from income taxation under Internal Revenue Code Section 501 (c)(3) and California Revenue Taxation Code Section 23701d.

See independent auditors' report.

ADDITIONAL INFORMATION



Certified Public Accountants, LLP

**Independent Auditors' 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
The Alliance for Housing and Healing
(dba The Serra Project)
(dba Aid for AIDS)

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 The Alliance for Housing and Healing ("AHH") (dba The Serra Project) (dba Aid for AIDS), 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 November 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered AHH's 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 AHH's internal control. Accordingly, we do not express an opinion on the effectiveness of AHH's 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 AHH's 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 AHH's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrington Group

Pasadena, California
November 11, 2014

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Certified Public Accountants, LLP

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

To the Board of Directors
The Alliance for Housing and Healing
(dba The Serra Project)
(dba Aid for AIDS)

Report on Compliance for Each Major Federal Program

We have audited The Alliance for Housing and Healing's ("AHH") (dba The Serra Project) (dba Aid for AIDS) 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 AHH's major federal programs for the year ended June 30, 2014. AHH's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of AHH's 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 AHH's 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 AHH's compliance.

Opinion on Each Major Federal Program

In our opinion, AHH 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 AHH 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 AHH's 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 AHH's internal control over compliance.

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

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.

Harrington Group

Pasadena, California
November 11, 2014

**THE ALLIANCE FOR HOUSING AND HEALING
(DBA THE SERRA PROJECT)
(DBA AID FOR AIDS)
Schedule of Findings and Questioned Costs
For the year ended June 30, 2014**

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Identification of Major Programs:

U.S. Department of Housing and Urban Development:	
Housing Opportunities for Persons with AIDS	14.241

Section II – Financial Statements Findings

There are no findings required to be reported in accordance with *Generally Accepted Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

There are neither findings nor questioned costs for Federal Awards as defined in OMB Circular A-133.

Section IV – Summary Schedule of Prior Year Findings

None.