



Certified Public Accountants, LLP

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

FINANCIAL STATEMENTS

JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
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 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, 2017, 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 controls 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alliance for Housing and Healing (dba The Serra Project) (dba Aid for AIDS) as of June 30, 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT

continued

Report on Summarized Comparative Information

We have previously audited Alliance for Housing and Healing's (dba The Serra Project) (dba Aid for AIDS) 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 20, 2016. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 October 20, 2017, on our consideration of 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 solely 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 Alliance's 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 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
October 20, 2017

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

STATEMENT OF FINANCIAL POSITION

June 30, 2017

With comparative totals at June 30, 2016

	2017	2016
ASSETS		
Cash	\$ 354,455	\$ 477,604
Accounts receivable	2,338,950	1,428,189
Prepaid expenses	44,009	40,215
Deposits	211,022	190,894
Property and equipment (Note 3)	66,871	15,318
TOTAL ASSETS	\$ 3,015,307	\$ 2,152,220
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 298,518	\$ 5,397
Accrued expenses (Note 4)	862,875	507,737
Line of credit (Note 5)	-	-
TOTAL LIABILITIES	1,161,393	513,134
NET ASSETS		
Unrestricted	1,853,914	1,613,099
Temporarily restricted (Note 7)	-	25,987
TOTAL NET ASSETS	1,853,914	1,639,086
TOTAL LIABILITIES AND NET ASSETS	\$ 3,015,307	\$ 2,152,220

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

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

STATEMENT OF ACTIVITIES
For the year ended June 30, 2017
With comparative totals for the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	2017	2016
REVENUE AND SUPPORT				
Government contracts and grants (Note 7)	\$ 7,855,270	\$ -	\$ 7,855,270	\$ 6,587,562
Contributions	492,881		492,881	423,604
Special events, net of expenses of \$146,139	408,678		408,678	401,943
Service fees	234,871		234,871	201,448
Other income			-	25
Net assets released from purpose restrictions	25,987	(25,987)	-	-
TOTAL REVENUE AND SUPPORT	9,017,687	(25,987)	8,991,700	7,614,582
EXPENSES				
Program services	8,299,294		8,299,294	7,103,090
Support services	477,578		477,578	450,607
TOTAL EXPENSES	8,776,872	-	8,776,872	7,553,697
CHANGE IN NET ASSETS	240,815	(25,987)	214,828	60,885
NET ASSETS, BEGINNING OF YEAR	1,613,099	25,987	1,639,086	1,578,201
NET ASSETS, END OF YEAR	\$ 1,853,914	\$ -	\$ 1,853,914	\$ 1,639,086

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

**ALLIANCE FOR HOUSING AND HEALING
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STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2017
With comparative totals for the year ended June 30, 2016

	Program Services	Support Services		Total Support Services	Total Expenses	
		Management and General	Fund Development		2017	2016
Salaries	\$ 2,918,886	\$ 92,442	\$ 248,105	\$ 340,547	\$ 3,259,433	\$ 2,905,387
Payroll taxes and benefits	792,430	15,206	40,094	55,300	847,730	780,400
Total personnel costs	3,711,316	107,648	288,199	395,847	4,107,163	3,685,787
Direct client assistance						
Rent and move-in assistance	533,886			-	533,886	703,391
Nutritional supplements				-	-	39,491
Other assistance	17,533			-	17,533	14,056
Utilities assistance	7,342			-	7,342	8,507
Total direct client assistance	558,761	-	-	-	558,761	765,445
Occupancy - rental and property tax expense	2,434,170	6,916	17,686	24,602	2,458,772	2,136,517
Subcontractors	638,541			-	638,541	110,660
Office expense and supplies	129,909	3,141	6,361	9,502	139,411	51,290
Repairs, maintenance, and cleaning	131,922			-	131,922	81,819
Food	118,877	1,414		1,414	120,291	128,453
Household supplies and furniture	102,468			-	102,468	107,252
Telephone	84,409	850	1,401	2,251	86,660	72,473
Professional services	72,297	10,541	1,604	12,145	84,442	44,756
Transportation, mileage, and auto costs	68,381	435	967	1,402	69,783	68,389
Utilities	62,191			-	62,191	62,039
Client activities and necessities	45,261			-	45,261	34,152
Insurance and license fees	43,068	737	59	796	43,864	40,428
Medical supplies and waste	31,404			-	31,404	69,294
Staff development and appreciation	10,296	10,502	4,761	15,263	25,559	20,687
Moving and storage expense	17,255	2,368	958	3,326	20,581	13,809
Printing, copying, and duplicating	18,240	422	1,447	1,869	20,109	19,170
Interest expense and bank charges	6,548	3,590		3,590	10,138	10,282
Depreciation	7,251			-	7,251	1,880
Postage and mailing	2,586	3,242		3,242	5,828	8,676
Miscellaneous	3,369			-	3,369	5,871
Fundraising, promotion, and decoration	658		2,329	2,329	2,987	10,106
Travel expenses	116			-	116	4,462
TOTAL 2017 FUNCTIONAL EXPENSES	\$ 8,299,294	\$ 151,806	\$ 325,772	\$ 477,578	\$ 8,776,872	
TOTAL 2016 FUNCTIONAL EXPENSES	\$ 7,103,090	\$ 134,034	\$ 316,573	\$ 450,607		\$ 7,553,697

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

**ALLIANCE FOR HOUSING AND HEALING
(DBA THE SERRA PROJECT)
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STATEMENT OF CASH FLOWS

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 214,828	\$ 60,885
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation	7,251	1,880
(Increase) decrease in operating assets:		
Accounts receivable	(910,761)	(189,326)
Prepaid expenses	(3,794)	11,731
Deposits	(20,128)	(28,923)
Increase (decrease) in operating liabilities:		
Accounts payable	293,121	(26,798)
Accrued expenses	355,138	126,648
	(64,345)	(43,903)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(58,804)	-
	(58,804)	-
NET (DECREASE) IN CASH	(123,149)	(43,903)
CASH, BEGINNING OF YEAR	477,604	521,507
CASH, END OF YEAR	\$ 354,455	\$ 477,604

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

**ALLIANCE FOR HOUSING AND HEALING
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NOTES TO FINANCIAL STATEMENTS

1. Organization

Alliance for Housing and Healing (“Alliance”) is a public benefit nonprofit corporation that serves low-income persons living with HIV/AIDS and other chronic health conditions. HIV (Human Immunodeficiency Virus) is a virus that weakens the body’s immune system and ultimately causes this system to fail; AIDS (Acquired Immune Deficiency Syndrome) is the life-threatening stage of HIV disease. Alliance was formed by the merger of two longstanding AIDS service providers, The Serra Project (Serra) and Aid For AIDS (“AFA”). In 1983, volunteers from the gay community of West Hollywood founded AFA to provide financial assistance for necessities of life—food, rent, utilities—to people struck down by the disease. In 1987, the Catholic Archdiocese and seven of its hospitals launched Serra, opening the first AIDS-specific group home in Los Angeles. In 1998, as new medications began to extend lives, Serra introduced its signature program of master-leased, permanent supportive housing. In 2006, AFA and Serra decided to merge their programs and boards of directors. In 2009, Serra absorbed AFA, retired the AFA tax number and Alliance emerged with a single mission to “provide essential housing and supportive services to people living in poverty with HIV/AIDS or other challenging health conditions.”

Alliance target population is persons with HIV/AIDS and at risk for HIV who are living in poverty, disconnected from care, homeless, and at risk for homelessness. Many of our clients are multi-diagnosed with an array of serious co-morbidities that generate other life-threatening illnesses. To mitigate these conditions, Alliance offers a variety of programs that include:

Transitional Housing: For homeless persons with HIV/AIDS who are 70 or below on the medical Karnofsky scale (“unable to carry on normal activity or to do active work”), Alliance operates four group homes—two each in Los Angeles and Long Beach—that provide 24-hour assisted living, nursing, hospice care, and HIV-specific meals. Each home is a California-state-licensed residential care facility for the chronically ill (“RCFCI”).

Permanent Housing: Since 1998, over 750 unduplicated persons have been served by this program, which targets previously homeless, multi-diagnosed (most commonly with mental illness, chemical dependency, and/or other physical disabilities) persons with HIV/AIDS and their families. Through regular, in-home visits with Alliance staff, clients are linked to a range of services that facilitate entry into care, access to treatment, care retention, medication adherence, and treatment success. In addition, clients are helped to build life skills for household management, financial literacy, nutrition, parenting, and interpersonal development.

Housing Support: A core function of all programs, housing support encompasses psycho-social assessments, case management, housing placement, linkage to specialized resources, budgetary counseling, monitoring of client goals toward improving health, discharge planning and short-term financial assistance for food, housing, utilities, and non-prescription wellness items. (Disbursements go not to clients but to third-party providers, such as landlords, utility companies, grocery stores, and pharmacies).

**ALLIANCE FOR HOUSING AND HEALING
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NOTES TO FINANCIAL STATEMENTS

1. Organization, continued

HOPWA CCA: In 1993, AFA was named Central Coordinating Agency (“CCA”) for the Housing Opportunities for Persons with AIDS (“HOPWA”) program, a role Alliance continues today. In this capacity, Alliance administers federal funding for Short-Term Rent Mortgage and Utility assistance (“STRMU”), Permanent Housing Placement (“PHP”) and Tenant-Based Rental Assistance (“TBRA”) to other Los Angeles AIDS service providers. Clients for these programs are referred to the CCA through the Coordinated Entry System (“CES”), through which the most vulnerable homeless residents of Los Angeles County are matched with available and appropriate housing resources.

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 Alliance 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. Alliance 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. Alliance has no temporarily restricted net assets at June 30, 2017.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit Alliance to expend all of the income (or other economic benefits) derived from the donated assets. Alliance has no permanently restricted net assets at June 30, 2017.

continued

**ALLIANCE FOR HOUSING AND HEALING
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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

Alliance 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 Alliance.

Revenue Recognition

Alliance receives client service revenue under various governmental grants which pay Alliance 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

Alliance 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. Alliance has not incurred losses related to these investments.

The primary receivable balance outstanding at June 30, 2017 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 Alliance's receivables consist of earned fees from contract programs granted by governmental agencies.

For the year ended June 30, 2017, approximately 87% of Alliance's revenues and support was received from governmental agencies.

continued

**ALLIANCE FOR HOUSING AND HEALING
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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, 2017, Alliance did not receive donation of materials or services that satisfy the criteria for recognition.

Income Taxes

Alliance 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 Alliance in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Alliance'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 Alliance'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. Alliance 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	\$ 582,412
Non-personnel expenses	<u>96,791</u>
Total administrative expenses	<u>\$ 679,203</u>

continued

**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 Alliance's financial statements for the year ended June 30, 2016 from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through October 20, 2017, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Property and Equipment

Property and equipment at June 30, 2017 consist of the following:

Building and improvements	\$ 166,231
Furniture and equipment	162,887
Computer equipment	95,112
Automotive equipment	<u>51,891</u>
	476,121
Less: accumulated depreciation	<u>(409,250)</u>
	<u>\$ 66,871</u>

4. Accrued Expenses

Accrued expenses at June 30, 2017 consist of the following:

Due to OAPP/DHSP	\$291,939
Other accrued expenses	228,157
Accrued vacation	164,526
Accrued salaries	99,923
Contract advances	<u>78,330</u>
	<u>\$862,875</u>

continued

**ALLIANCE FOR HOUSING AND HEALING
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NOTES TO FINANCIAL STATEMENTS

5. Line of Credit

Alliance has a revolving line of credit, with a bank, in the amount of \$240,000, bearing interest at 5.00%. There was no outstanding balance on the line of credit at June 30, 2017.

6. Commitments and Contingencies

Obligation Under Operating Leases

Alliance leases offices under operating leases expiring through 2021. 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>	
2018	\$283,415
2019	297,985
2020	270,118
2021	<u>140,398</u>
	<u>\$991,916</u>

Rent expense under operating leases, including month-to-month and long-term leases, were \$2,180,209 for the year ended June 30, 2017.

Contracts

Alliance 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, Alliance has no provisions for the possible disallowance of any other program costs on its financial statements.

7. Government Contracts and Grants

Government contracts and grants at June 30, 2017, consist of the following:

CHOISS program	\$2,638,590
RCFCI program	2,401,848
Supportive housing program	1,577,535
CCA program	805,855
DHS Intensive Care	346,955
West Hollywood contract	<u>84,487</u>
	<u>\$7,855,270</u>