

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

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

**JUNE 30, 2013**

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Certified Public Accountants, LLP

## INDEPENDENT AUDITORS' REPORT

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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, 2013, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2013, 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

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### 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 accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, "*Audit of States, Local Government, and Nonprofit Organizations*" is presented for the purpose 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, 2012 financial statements, and our report dated November 6, 2012 expressed an unmodified opinion on those financial statements. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2012, 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 January 3, 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  
January 3, 2014

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

STATEMENT OF FINANCIAL POSITION  
June 30, 2013  
With comparative totals at June 30, 2012

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>2013</b>	<b>2012</b>
<b>Assets</b>				
Cash	\$ 491,759	\$ 2,170	\$ 493,929	\$ 1,144,272
Accounts receivable	1,139,278		1,139,278	953,086
Trust receivable	110,000		110,000	110,000
Other receivable	7,422		7,422	-
Prepaid expenses	74,272		74,272	78,706
Deposits	161,581		161,581	128,571
Property and equipment (Note 3)	8,682		8,682	9,840
<b>Total assets</b>	<b>\$ 1,992,994</b>	<b>\$ 2,170</b>	<b>\$ 1,995,164</b>	<b>\$ 2,424,475</b>
<b>Liabilities and net assets</b>				
<b>Liabilities</b>				
Accounts payable	\$ 14,130	\$ -	\$ 14,130	\$ 18,971
Accrued expenses (Note 4)	609,886		609,886	901,184
<b>Total liabilities</b>	<b>624,016</b>	<b>-</b>	<b>624,016</b>	<b>920,155</b>
<b>Net assets</b>				
Unrestricted	1,368,978		1,368,978	1,501,766
Temporarily restricted (Note 6)		2,170	2,170	2,554
<b>Total net assets</b>	<b>1,368,978</b>	<b>2,170</b>	<b>1,371,148</b>	<b>1,504,320</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,992,994</b>	<b>\$ 2,170</b>	<b>\$ 1,995,164</b>	<b>\$ 2,424,475</b>

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, 2013  
With comparative totals for the year ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013</u>	<u>2012</u>
<b>Revenue and support</b>				
Government contracts and grants (Note 7)	\$ 5,985,607	\$ -	\$ 5,985,607	\$ 5,334,252
Contributions	483,722		483,722	650,538
Special events, net of expenses of \$166,222	281,187		281,187	217,107
Service fees	143,860		143,860	119,233
Other income	361		361	3,491
Net assets released from program restrictions	384	(384)	-	-
<b>Total revenue and support</b>	<u>6,895,121</u>	<u>(384)</u>	<u>6,894,737</u>	<u>6,324,621</u>
<b>Expenses</b>				
Program services	6,604,325		6,604,325	6,051,757
Support services	423,584		423,584	385,801
<b>Total expenses</b>	<u>7,027,909</u>	<u>-</u>	<u>7,027,909</u>	<u>6,437,558</u>
<b>Change in net assets</b>	(132,788)	(384)	(133,172)	(112,937)
<b>Net assets, beginning of year</b>	<u>1,501,766</u>	<u>2,554</u>	<u>1,504,320</u>	<u>1,617,257</u>
<b>Net assets, end of year</b>	<u>\$ 1,368,978</u>	<u>\$ 2,170</u>	<u>\$ 1,371,148</u>	<u>\$ 1,504,320</u>

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

**THE ALLIANCE FOR HOUSING AND HEALING  
(DBA THE SERRA PROJECT)  
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STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2013

With comparative totals for the year ended June 30, 2012

	Program Services	Support Services		Total Support Services	Total Expenses	
		Management and General	Fund Development		2013	2012
Salaries	\$ 2,324,652	\$ 91,455	\$ 206,650	\$ 298,105	\$ 2,622,757	\$ 2,498,102
Payroll taxes and benefits	622,338	16,721	41,662	58,383	680,721	596,235
Total personnel costs	2,946,990	108,176	248,312	356,488	3,303,478	3,094,337
Direct client assistance						
Rent/move-in assistance	664,407				664,407	521,416
Nutritional supplements	168,576				168,576	68,600
Utilities assistance	38,581				38,581	46,342
Other assistance	9,484				9,484	35,767
Transportation	160				160	48
Total direct client assistance	881,208	-	-	-	881,208	672,173
Occupancy - rental and property tax expense	2,061,374	6,341	14,512	20,852	2,082,226	1,809,378
Food	150,690	342	171	513	151,203	216,316
Utilities	80,122			-	80,122	71,040
Repairs, maintenance, and cleaning	70,795			-	70,795	81,627
Telephone	65,937	1,131	2,915	4,046	69,983	74,936
Household supplies and furniture	68,431			-	68,431	97,116
Office expense and supplies	42,229	2,190	6,430	8,620	50,849	50,904
Medical supplies and waste	49,179			-	49,179	39,861
Transportation, mileage, and auto costs	47,089	724	222	946	48,035	47,308
Professional services	36,221	5,137		5,137	41,358	52,383
Insurance and license fees	30,320	248	170	418	30,738	30,473
Client activities and necessities	26,698			-	26,698	28,713
Moving and storage expense	16,398	285	503	788	17,186	11,078
Interest expense and bank charges	10,123	1,427	3,331	4,758	14,881	19,510
Staff development and appreciation	6,081	4,097	1,318	5,416	11,497	4,882
Printing, copying, and duplicating	8,016	478	2,551	3,029	11,045	16,673
Fundraising, promotion, decoration			10,342	10,342	10,342	3,437
Postage and mailing	5,260	746	1,485	2,231	7,491	8,899
Depreciation	1,158			-	1,158	2,240
Miscellaneous	6			-	6	1,277
Case management fees				-	-	11,700
Travel expenses				-	-	2,997
<b>Total 2013 functional expenses</b>	<b>\$ 6,604,325</b>	<b>\$ 131,322</b>	<b>\$ 292,262</b>	<b>\$ 423,584</b>	<b>\$ 7,027,909</b>	
Total 2012 functional expenses	\$ 6,051,757	\$ 87,336	\$ 298,464	\$ 385,801		\$ 6,449,258

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, 2013

With comparative totals for the year ended June 30, 2012

	2013	2012
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (133,172)	\$ (112,937)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	1,158	2,239
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(186,192)	385,359
(Increase) in trust receivable	-	(110,000)
(Increase) in other receivable	(7,422)	-
Decrease in prepaid expenses	4,434	20,558
(Increase) in deposits	(33,010)	(16,674)
(Decrease) in accounts payable	(4,841)	(11,938)
(Decrease) increase in accrued expenses	(291,298)	550,752
	<b>(650,343)</b>	707,359
<b>Net cash (used) provided by operating activities</b>		
<b>Net (decrease) increase in cash</b>	<b>(650,343)</b>	707,359
<b>Cash, beginning of year</b>	<b>1,144,272</b>	436,913
<b>Cash, end of year</b>	<b>\$ 493,929</b>	<b>\$ 1,144,272</b>

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

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**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, pharmacies).

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

NOTES TO FINANCIAL STATEMENTS

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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 and Permanent Housing 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. AHH has \$2,170 in temporarily restricted net assets at June 30, 2013.

**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, 2013.

**THE ALLIANCE FOR HOUSING AND HEALING  
(DBA THE SERRA PROJECT)  
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NOTES TO FINANCIAL STATEMENTS

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**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 ("FDIC") insurance limit. AHH has not incurred losses related to these investments.

The primary receivable balance outstanding at June 30, 2013 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.

**Current Vulnerability to Concentrations**

For the fiscal year ended June 30, 2013, 86% 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

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**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, 2013, 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 the 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	\$487,606
Non-personnel expenses	<u>76,770</u>
Total administrative expenses	<u>\$564,376</u>

continued

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

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**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, 2012 from which the summarized information was derived.

**Subsequent Events**

Management has evaluated subsequent events through January 3, 2014, the date which the financial statements were available.

**3. Property and Equipment**

Property and equipment at June 30, 2013 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>(399,224)</u>
	<u>\$ 8,682</u>

**4. Accrued Expenses**

Accrued expenses at June 30, 2013 consist of the following:

Contract advances	\$261,433
Accrued vacation	139,246
Accrued salaries	125,031
Other accrued expenses	<u>84,176</u>
	<u>\$609,886</u>

continued

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

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**5. Commitments and Contingencies**

**Obligation Under Operating Leases**

AHH leases offices and equipment under operating leases expiring in 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>	
2014	\$354,859
2015	124,433
2016	<u>5,644</u>
	<u>\$484,936</u>

Rent expense under operating leases, including month-to-month and long-term leases, were \$1,910,254 for the year ended June 30, 2013.

**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, 2013 consist of \$2,170 restricted for program purposes.

**7. Government Contracts and Grants**

Government contracts and grants at June 30, 2013, consist of the following:

CHOISS program	\$2,242,681
RCFCI program	1,740,186
Supportive Housing Program	1,616,181
Collaborative for Housing Integrated with Support Service (CHISS) program	264,363
West Hollywood contract	94,196
Other	<u>28,000</u>
	<u>\$5,985,607</u>

**SUPPLEMENTAL SCHEDULE**

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**THE ALLIANCE FOR HOUSING AND HEALING  
(DBA THE SERRA PROJECT)  
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended June 30, 2013

	Contract Number	Federal CFDA No.	Federal Expenditures
<b>Federal awards</b>			
Department of Housing and Urban Development ("HUD"):			
(Direct)			
Supportive Housing (a)	CA0356B9D001003	14.235	\$ 103,493
Supportive Housing (a)	CA0356B9D001004	14.235	167,048
Supportive Housing (a)	CA0357B9D000803	14.235	160,645
Supportive Housing (a)	CA0357B9D001004	14.235	160,855
<b>Sub-total HUD Direct</b>			<b>592,041</b>
Pass-through, Pasadena Community Development Division:			
Supportive Housing (a)	CA0655B9D071104	14.235	99,407
Supportive Housing (a)	CA0656B9D071104	14.235	114,492
<b>Sub-total pass-through, Pasadena Community Division</b>			<b>213,899</b>
Pass-through, Los Angeles Homeless Services Authority ("LAHSA"):			
Supportive Housing (a)	CA0353B9D001104	14.235	45,630
Supportive Housing (a)	CA0353B9D001205	14.235	34,947
Supportive Housing (a)	CA0861B9D000900	14.235	236,303
Supportive Housing (a)	CA0861L9D001201	14.235	82,141
Supportive Housing (a)	CA0354B9D001104	14.235	173,080
Supportive Housing (a)	CA0354L9D001205	14.235	65,481
Supportive Housing (a)	CA0355B9D001003	14.235	84,850
Supportive Housing (a)	CA0355B9D001004	14.235	86,766
<b>Sub-total pass-through, LAHSA</b>			<b>809,198</b>
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	C-120371	14.241	253,160
Permanent Housing Placement Grants	C-120371	14.241	704,929
Support Services in Permanent Housing	C-120371	14.241	183,168
Other Support Services	C-120371	14.241	476,858
Emergency Shelter and Transitional Housing	C-120371	14.241	234,036
Scattered Sites Master Leasing Housing	C-120371	14.241	393,306
<b>Sub-total pass-through, City of Los Angeles, LAHD</b>			<b>2,245,457</b>
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")	PH-002189 Sch. 01	14.241	<b>264,363</b>
<b>Total HUD</b>			<b>4,124,958</b>
Department of Homeland Security			
Pass-through, United Way, Emergency Food and Shelter Program: Phase 28	N/A	97.024	28,000
<b>Sub-total pass-through, United Way</b>			<b>28,000</b>
<b>Total federal awards</b>			<b>\$ 4,152,958</b>

(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

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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***

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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, 2013, 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 January 3, 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 entity'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  
January 3, 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**

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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 ("AHH") (dba The Serra Project) (dba Aid for AIDS) that could have a direct and material effect on each of AHH's major federal programs for the year ended June 30, 2013. 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, 2013.

**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.

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

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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  
January 3, 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, 2013**

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**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?	No
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?	No
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:	
Supportive Housing	14.235

**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.