

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

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

JUNE 30, 2016

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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, 2016, 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, 2016, 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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 Alliance for Housing and Healing's (dba The Serra Project) (dba Aid for AIDS) 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 21, 2015. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 September 20, 2016, 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 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 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
September 20, 2016

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

STATEMENT OF FINANCIAL POSITION

June 30, 2016

With comparative totals at June 30, 2015

	Unrestricted	Temporarily Restricted	2016	2015
ASSETS				
Cash	\$ 451,617	\$ 25,987	\$ 477,604	\$ 521,507
Accounts receivable	1,428,189		1,428,189	1,238,863
Prepaid expenses	40,215		40,215	51,946
Deposits	190,894		190,894	161,971
Property and equipment (Note 3)	15,318		15,318	17,198
TOTAL ASSETS	\$ 2,126,233	\$ 25,987	\$ 2,152,220	\$ 1,991,485
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 5,397	\$ -	\$ 5,397	\$ 32,195
Accrued expenses (Note 4)	507,737		507,737	381,089
Line of credit (Note 5)			-	-
TOTAL LIABILITIES	513,134	-	513,134	413,284
NET ASSETS				
Unrestricted	1,613,099		1,613,099	1,547,845
Temporarily restricted (Note 7)		25,987	25,987	30,356
TOTAL NET ASSETS	1,613,099	25,987	1,639,086	1,578,201
TOTAL LIABILITIES AND NET ASSETS	\$ 2,126,233	\$ 25,987	\$ 2,152,220	\$ 1,991,485

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, 2016
With comparative totals for the year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016</u>	<u>2015</u>
REVENUE AND SUPPORT				
Government contracts and grants (Note 8)	\$ 6,587,562	\$ -	\$ 6,587,562	\$ 6,699,720
Contributions	271,637	151,967	423,604	523,764
Special events, net of expenses of \$163,548	401,943		401,943	457,133
Service fees	201,448		201,448	181,097
Other income	25		25	187
Net assets released from purpose restrictions	156,336	(156,336)	-	-
TOTAL REVENUE AND SUPPORT	<u>7,618,951</u>	<u>(4,369)</u>	<u>7,614,582</u>	<u>7,861,901</u>
EXPENSES				
Program services	7,103,090		7,103,090	7,324,276
Support services	450,607		450,607	452,387
TOTAL EXPENSES	<u>7,553,697</u>	<u>-</u>	<u>7,553,697</u>	<u>7,776,663</u>
CHANGE IN NET ASSETS	65,254	(4,369)	60,885	85,238
NET ASSETS, BEGINNING OF YEAR	<u>1,547,845</u>	<u>30,356</u>	<u>1,578,201</u>	<u>1,492,963</u>
NET ASSETS, END OF YEAR	<u>\$ 1,613,099</u>	<u>\$ 25,987</u>	<u>\$ 1,639,086</u>	<u>\$ 1,578,201</u>

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 FUNCTIONAL EXPENSES
For the year ended June 30, 2016
With comparative totals for the year ended June 30, 2015

	Program Services	Support Services		Total Support Services	Total Expenses	
		Management and General	Fund Development		2016	2015
Salaries	\$ 2,580,758	\$ 91,837	\$ 232,792	\$ 324,629	\$ 2,905,387	\$ 2,810,107
Payroll taxes and benefits	720,209	18,037	42,154	60,191	780,400	737,809
Total personnel costs	3,300,967	109,874	274,946	384,820	3,685,787	3,547,916
Direct client assistance						
Rent/move-in assistance	703,391	-	-	-	703,391	1,047,897
Nutritional supplements	39,491	-	-	-	39,491	52,758
Other assistance	14,056	-	-	-	14,056	6,824
Utilities assistance	8,507	-	-	-	8,507	42,925
Total direct client assistance	765,445	-	-	-	765,445	1,150,404
Occupancy - rental and property tax expense	2,113,014	7,181	16,322	23,503	2,136,517	2,137,015
Food	128,431	22	-	22	128,453	141,692
Subcontractors	110,660	-	-	-	110,660	-
Household supplies and furniture	107,252	-	-	-	107,252	111,598
Repairs, maintenance, and cleaning	81,819	-	-	-	81,819	136,381
Telephone	69,934	1,207	1,332	2,539	72,473	70,208
Medical supplies and waste	69,294	-	-	-	69,294	90,071
Transportation, mileage, and auto costs	67,168	568	653	1,221	68,389	59,444
Utilities	62,039	-	-	-	62,039	65,233
Office expense and supplies	45,180	1,492	4,618	6,110	51,290	56,126
Professional services	35,210	9,546	-	9,546	44,756	72,165
Insurance and license fees	39,768	109	551	660	40,428	38,002
Client activities and necessities	34,152	-	-	-	34,152	26,937
Staff development and appreciation	18,891	1,499	297	1,796	20,687	8,324
Printing, copying, and duplicating	15,169	494	3,507	4,001	19,170	20,727
Moving and storage expense	12,778	314	717	1,031	13,809	15,576
Interest expense and bank charges	6,379	935	2,968	3,903	10,282	20,585
Fundraising, promotion, and decoration	454	7	9,645	9,652	10,106	-
Postage and mailing	6,873	786	1,017	1,803	8,676	5,643
Miscellaneous	5,871	-	-	-	5,871	470
Travel expenses	4,462	-	-	-	4,462	1,362
Depreciation	1,880	-	-	-	1,880	784
TOTAL 2016 FUNCTIONAL EXPENSES	\$ 7,103,090	\$ 134,034	\$ 316,573	\$ 450,607	\$ 7,553,697	
TOTAL 2015 FUNCTIONAL EXPENSES	\$ 7,324,276	\$ 151,518	\$ 300,869	\$ 452,387		\$ 7,776,663

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 CASH FLOWS

For the year ended June 30, 2016

With comparative totals for the year ended June 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 60,885	\$ 85,238
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	1,880	784
(Increase) decrease in operating assets:		
Accounts receivable	(189,326)	(81,817)
Trust receivable	-	23,310
Prepaid expenses	11,731	18,743
Deposits	(28,923)	4,506
Increase (decrease) in operating liabilities:		
Accounts payable	(26,798)	6,581
Accrued expenses	126,648	(54,424)
	(43,903)	2,921
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(9,411)
	-	(9,411)
NET (DECREASE) IN CASH	(43,903)	(6,490)
CASH, BEGINNING OF YEAR	521,507	527,997
CASH, END OF YEAR	\$ 477,604	\$ 521,507

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 in 2009 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 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 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 700 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 location, and 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 Person 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”) and Permanent Housing Placement (“PHP”) to other Los Angeles AIDS service providers. For Tenant-Based Rental Assistance (“TBRA”), the CCA coordinated with 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.

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, 2016.

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, 2016 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, 2016, approximately 86% of Alliance's revenues and support was received from governmental agencies.

continued

**ALLIANCE FOR HOUSING AND HEALING
(DBA THE SERRA PROJECT)
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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, 2016, 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	\$515,160
Non-personnel expenses	<u>81,689</u>
Total administrative expenses	<u>\$596,849</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, 2015 from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through September 20, 2016, the date which the financial statements were available for issued. 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, 2016 consist of the following:

Building and improvements	\$ 166,231
Furniture and equipment	104,083
Computer equipment	95,112
Automotive equipment	<u>51,891</u>
	417,317
Less: accumulated depreciation	<u>(401,999)</u>
	<u>\$ 15,318</u>

4. Accrued Expenses

Accrued expenses at June 30, 2016 consist of the following:

Other accrued expenses	\$241,675
Accrued vacation	155,314
Accrued salaries	71,656
Contract advances	<u>39,092</u>
	<u>\$507,737</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 \$200,000, bearing interest at 4.94%. There was no outstanding balance on the line of credit at June 30, 2016.

6. Commitments and Contingencies

Obligation Under Operating Leases

Alliance leases offices under operating leases expiring through 2020. 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>	
2017	\$188,511
2018	196,085
2019	202,013
2020	180,548
2021	<u>46,934</u>
	<u>\$814,091</u>

Rent expense under operating leases, including month-to-month and long-term leases, were \$1,956,388 for the year ended June 30, 2016.

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. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 consist of \$25,987 restricted for program purposes.

**ALLIANCE FOR HOUSING AND HEALING
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NOTES TO FINANCIAL STATEMENTS

8. Government Contracts and Grants

Government contracts and grants at June 30, 2016, consist of the following:

CHOISS program	\$2,557,651
RCFCI program	2,065,433
Supportive Housing Program	1,713,994
DHS Intensive Care	150,833
West Hollywood contract	<u>99,651</u>
	<u>\$6,587,562</u>

SUPPLEMENTAL SCHEDULE

**ALLIANCE FOR HOUSING AND HEALING
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2016

Program Name	Contract Number	Federal CFDA No.	Federal Expenditures
Federal Awards			
Department of Housing and Urban Development ("HUD"):			
(Direct)			
Supportive Housing	CA0356B9D001305	14.235	\$ 124,999
Supportive Housing	CA0356B9D001406	14.235	171,985
Supportive Housing	CA0357B9D001306	14.235	165,316
Supportive Housing	CA0357B9D001407	14.235	171,581
Sub-total HUD Direct			633,881
Pass-through, Pasadena Community Development Division:			
Supportive Housing	CA0655L9D071407	14.235	104,732
Supportive Housing	CA0656L9D071407	14.235	112,831
Sub-total pass-through, Pasadena Community Division			217,563
Pass-through, Los Angeles Homeless Services Authority ("LAHSA"):			
Supportive Housing	CA0353L9D001407	14.235	23,014
Supportive Housing	CA0353L9D001508	14.235	18,017
Supportive Housing	CA0861L9D001403	14.235	261,058
Supportive Housing	CA0861L9D001504	14.235	92,829
Supportive Housing	CA0354L9D001407	14.235	173,497
Supportive Housing	CA0354L9D001508	14.235	63,351
Supportive Housing	CA0355L9D001306	14.235	99,461
Supportive Housing	CA0355L9D001407	14.235	84,882
Sub-total pass-through, LAHSA			816,109
Pass-through, City of Long Beach:			
Supportive Housing	CA0655L9D071407	14.235	160,155
Supportive Housing	CA06392U9D061407	14.235	46,610
Sub-total pass-through, City of Long Beach			206,765
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-120371-1	14.241	284,213
Permanent Housing Placement Grants (a)	C-120371-1	14.241	496,447
Support Services in Permanent Housing (a)	C-120371-1	14.241	110,522
Other Support Services (a)	C-120371-1	14.241	375,782
Emergency Shelter and Transitional Housing (a)	C-120371-1	14.241	78,645
Scattered Sites Master Leasing Housing (a)	C-120371-1	14.241	416,321
Short Term Rent, Mortgage and Utility Assistance (a)	C-127780	14.241	103,477
Permanent Housing Placement Grants (a)	C-127780	14.241	144,164
Residential Coordination Services (a)	C-127781	14.241	38,656
Metro West Regional Office (a)	C-127715	14.241	233,624
Scattered Sites Master Leasing Housing (a)	C-126643	14.241	152,112
Sub-total pass-through, City of Los Angeles, LAHD			2,433,963
Total HUD			4,308,281
Total Federal Awards			\$ 4,308,281

(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. Alliance 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

**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
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 Alliance for Housing and Healing ("Alliance") (dba The Serra Project) (dba Aid for AIDS), which comprise the Statement of Financial Position as of June 30, 2016, and the related Statements of Activities, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2016.

Internal Control Over Financial Reporting

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

Harrington Group

Pasadena, California
September 20, 2016

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

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

Report on Compliance for Each Major Federal Program

We have audited Alliance for Housing and Healing's ("Alliance") (dba The Serra Project) (dba Aid for AIDS) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Alliance's major federal programs for the year ended June 30, 2016. Alliance'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 Alliance'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Alliance'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 Alliance's compliance.

Opinion on Each Major Federal Program

In our opinion, Alliance 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, 2016.

Report on Internal Control Over Compliance

Management of Alliance 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 Alliance'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Alliance's internal control over compliance.

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**
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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Harrington Group

Pasadena, California
September 20, 2016

**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, 2016**

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 deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified?	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 200.516 Audit Findings of the Uniform Guidance?	No
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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 the Uniform Guidance.

Section IV – Summary Schedule of Prior Year Findings

None.