



Audited Financial Statements
St. Joseph Center
As of and for the Years Ended June 30, 2015 and 2014
with Report of Independent Auditors

An Independently Owned Member
McGLADREY ALLIANCE



 **Vasquez**
& Company LLP
Certified Public Accountants and Business Consultants

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Report of Independent Auditors

**Board of Directors
St. Joseph Center**

Report on the Financial Statements

We have audited the accompanying financial statements of St. Joseph Center, which comprise the statements of financial position as of June 30, 2015 and 2014 and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's 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 St. Joseph Center as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2016, on our consideration of St. Joseph Center's 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 St. Joseph Center's internal control over financial reporting and compliance.

Vargay + Company LLP

**Los Angeles, California
January 11, 2016**

**St. Joseph Center
Statements of Financial Position**

		June 30	
		2015	2014
ASSETS			
Current assets			
Cash and cash equivalents	\$	1,483,023	\$ 1,424,811
Funds held for others		1,495,927	1,442,203
Receivables from private and government agencies, net		1,205,527	1,168,379
Pledges receivable		590,000	45,797
Current portion of deferred rent		33,000	33,000
Board designated endowment fund		500,097	-
Prepaid expenses and other current assets		95,996	67,327
Total current assets		5,403,570	4,181,517
Property and equipment			
Property and equipment, net		8,217,613	8,537,057
Other assets			
Deferred rent, net of current portion		1,188,000	1,221,000
Other assets		56,850	16,900
Total other assets		1,244,850	1,237,900
Total assets	\$	14,866,033	\$ 13,956,474
LIABILITIES AND NET ASSETS			
Current liabilities			
Current portion of notes payable	\$	271,388	\$ 195,243
Accounts payable and accrued expenses		680,344	647,877
Contract advances		438,827	684,283
Funds held for others		1,495,927	1,442,203
Total current liabilities		2,886,486	2,969,606
Noncurrent liabilities			
Notes payable, net of current portion		1,316,227	1,940,005
Total liabilities		4,202,713	4,909,611
Net assets			
Unrestricted		7,703,978	7,657,836
Temporarily restricted		2,959,342	1,389,027
Total net assets		10,663,320	9,046,863
Total liabilities and net assets	\$	14,866,033	\$ 13,956,474

See notes to financial statements.

**St. Joseph Center
Statements of Activities**

	Years ended June 30	
	2015	2014
Unrestricted net assets		
Revenues, gains and other support		
Government grants and contracts	\$ 7,894,815	\$ 7,226,879
Contributions	1,366,470	1,554,227
In-kind contributions	524,314	450,281
Child care fees	492,839	489,269
Fundraising events - net	463,395	504,671
Other revenues	63,892	83,397
Total revenues, gains and other support	10,805,725	10,308,724
Net assets released from restrictions	853,184	618,026
Total unrestricted revenues	11,658,909	10,926,750
Expenses		
Program services	9,522,212	8,690,884
General and administrative	1,663,765	1,356,407
Development	426,790	408,159
Total expenses	11,612,767	10,455,450
Change in unrestricted net assets	46,142	471,300
Temporarily restricted net assets		
Contributions	2,423,402	403,059
Income from board designated endowment fund	97	-
Net assets released from restrictions	(853,184)	(618,026)
Change in temporarily restricted net assets	1,570,315	(214,967)
Change in net assets	1,616,457	256,333
Net assets at beginning of year, as restated	9,046,863	8,790,530
Net assets at end of year	\$ 10,663,320	\$ 9,046,863

See notes to financial statements.

St. Joseph Center
Statement of Functional Expenses
Year ended June 30, 2015

	Chronic Homeless Initiatives	Homeless Service Center	Bread & Roses Café	Housing Services	Senior Services	Monetary Advisory Program	Veterans Rep Payee Program	Family Center & Food Pantry	Culinary Training Program	Early Learning Center	Adopt-A-Family	Total Program Services	General and Administrative	Development	Total Expenses
Accounting	\$ 7,316	\$ 2,955	\$ 728	\$ 3,313	\$ 1,552	\$ 2,223	\$ 1,476	\$ 5,669	\$ 485	\$ 1,884	\$ -	\$ 27,601	\$ 44,150	\$ 1,565	\$ 73,316
Advertising/recruitment	350	225	-	50	1,109	175	25	1,338	250	75	-	3,597	7,835	574	12,006
Bank charges	31	65	95	178	-	-	-	-	-	150	-	519	25,995	120	26,634
Client direct aid expenses	74,672	140,169	48,103	950,889	5,650	2,077	850	498,012	40,577	8,858	19,246	1,789,103	11,214	-	1,800,317
Conferences and meetings	4,242	306	-	2,509	-	-	-	75	-	-	-	7,132	4,254	-	11,386
Contracted services - subgrants	386,034	137,816	-	57,511	-	-	-	78,015	-	-	-	659,376	-	-	659,376
Depreciation and amortization	53,437	45,607	15,307	29,686	14,218	35,397	2,237	60,976	39,450	46,274	-	342,589	62,461	19,208	424,258
Dues and subscriptions	-	-	-	150	-	6,717	-	40	-	-	-	6,907	6,559	5,814	19,280
General liability/auto insurance	27,689	10,975	2,740	14,037	5,924	8,314	5,557	21,246	1,822	7,096	-	105,400	40,882	5,891	152,173
Interest expense	7,308	10,209	-	-	3,817	5,723	169	13,254	787	4,723	-	45,990	42,563	3,923	92,476
Jesuit volunteers/interns	2,714	24,190	3,327	22,167	9,384	-	-	6,912	3,327	-	-	72,021	1,800	-	73,821
Meals and entertainment	94	1,203	-	144	-	-	39	35	13	-	-	1,528	4,128	390	6,046
Miscellaneous	1	-	-	-	-	-	-	250	218	-	-	469	549	-	1,018
Non-capital equipment	10,467	10,385	2,258	8,530	2,663	7,416	2,956	6,054	1,731	3,738	-	56,198	11,253	1,101	68,552
Office and general supplies	12,261	4,381	10,136	9,594	1,400	2,670	4,071	7,759	1,909	11,114	-	65,295	25,560	4,620	95,475
Outside services	123,427	56,367	158	25,374	30,260	19,749	2,264	144,307	3,339	57,327	-	462,572	99,822	13,420	575,814
Payroll taxes and benefits	202,771	86,062	18,334	81,933	23,319	71,203	46,539	148,111	13,703	55,140	-	747,115	162,502	39,293	948,910
Postage	1,026	484	23	980	495	898	1,144	1,751	115	608	-	7,524	1,925	725	10,174
Printing and copying	1,284	737	50	466	430	592	3,626	1,264	87	179	-	8,715	3,838	241	12,794
Rent-facilities and storage	128,027	2,291	-	50,837	6,148	5,063	171	13,525	753	4,027	-	210,842	17,570	3,341	231,753
Repairs and maintenance	12,556	7,936	13,578	6,861	3,158	4,674	1,615	12,827	1,672	5,126	-	70,003	13,071	3,215	86,289
Salaries	1,232,989	489,895	88,567	495,611	172,564	430,085	209,071	875,114	94,704	263,374	-	4,351,974	885,751	304,595	5,542,320
Sisters' stipends	-	-	-	-	-	-	-	21,770	-	-	-	21,770	-	-	21,770
Staff development	4,419	2,609	275	1,121	2,586	894	775	4,912	149	1,180	-	18,920	74,810	1,939	95,669
Taxes and licenses	1,873	(2,209)	227	423	215	27,271	10	783	35	745	-	29,373	3,668	218	33,259
Telephone	35,539	10,944	1,853	8,637	2,939	4,522	5,871	9,500	384	2,062	-	82,251	8,100	3,532	93,883
Transportation	44,692	16,578	1,392	7,930	2,350	9,209	2,595	9,463	323	-	-	94,532	14,676	403	109,611
Unemployment insurance	20,343	7,919	1,537	7,584	3,153	7,317	3,096	15,069	2,343	4,404	-	72,765	9,918	2,960	85,643
Utilities	16,878	8,050	9,354	8,498	4,197	6,273	186	14,594	891	5,180	-	74,101	11,978	4,302	90,381
Workers compensation insurance	22,049	8,635	4,982	8,116	2,757	6,403	3,904	16,366	5,322	7,497	-	86,031	66,933	5,399	158,363
TOTAL	\$ 2,434,489	\$ 1,084,784	\$ 223,024	\$1,803,129	\$ 300,288	\$ 664,865	\$ 298,247	\$ 1,988,991	\$ 214,389	\$ 490,761	\$ 19,246	\$ 9,522,213	\$ 1,663,765	\$ 426,789	\$11,612,767

See notes to financial statements.

St. Joseph Center
Statement of Functional Expenses
Year ended June 30, 2014

	Chronic Homeless Initiatives	Homeless Service Center	Bread & Roses Café	Housing Services	Senior Services	Monetary Advisory Program	Veterans Rep Payee Program	Family Center & Food Pantry	Culinary Training Program	Early Learning Center	Total Program Services	General and Administrative	Development	Total Expenses
Accounting	\$ 8,341	\$ 1,716	\$ 844	\$ 2,938	\$ 2,346	\$ 5,050	\$ 1,830	\$ 7,979	\$ 698	\$ 3,191	\$ 34,933	\$ 24,315	\$ 2,867	\$ 62,115
Advertising/recruitment	293	121	-	518	1,066	50	75	1,831	25	75	4,054	2,413	-	6,467
Bank charges	160	80	19	54	28	74	45	136	13	49	658	25,534	2,051	28,243
Client direct aid expenses	122,298	252,105	42,418	1,075,999	350	1,612	-	479,696	13,071	8,545	1,996,094	372	-	1,996,466
Conferences and meetings	3,091	-	-	2,974	-	278	714	123	-	-	7,180	7,176	25	14,381
Contracted services - subgrants	130,444	91,037	-	194,676	-	-	-	74,269	-	-	490,426	-	-	490,426
Depreciation and amortization	39,603	36,895	14,325	28,899	17,458	32,288	2,531	79,793	39,589	44,863	336,244	62,138	20,386	418,768
Dues and subscriptions	215	46	25	264	48	3,812	53	227	17	63	4,770	5,836	9,250	19,856
General liability/auto insurance	25,787	7,473	2,975	7,391	5,467	12,547	6,330	19,832	1,981	7,572	97,355	42,300	6,876	146,531
Interest expense	6,737	2,164	-	6,748	4,602	8,807	327	17,533	886	6,513	54,317	48,589	5,733	108,639
Jesuit volunteers/interns	2,667	20,118	3,288	18,833	10,121	-	-	6,669	3,288	-	64,984	39	-	65,023
Meals and entertainment	971	68	-	91	178	444	165	304	-	109	2,330	8,329	94	10,753
Miscellaneous	54	50	-	-	-	25	-	275	8	50	462	1,834	640	2,936
Non-capital equipment	8,439	2,492	5,948	1,294	3,325	6,694	3,434	8,377	558	5,599	46,160	4,865	1,569	52,594
Office and general supplies	11,120	4,045	9,307	2,814	1,712	4,103	6,265	6,911	2,466	16,441	65,184	29,815	5,035	100,034
Outside services	197,636	35,812	1,251	18,347	26,437	59,936	3,114	139,397	3,185	75,698	560,813	63,110	25,105	649,028
Payroll taxes and benefits	156,223	62,355	16,356	59,281	32,862	70,294	45,190	125,774	11,218	44,333	623,886	130,943	30,873	785,702
Postage	563	209	-	544	371	820	43	1,441	151	526	4,668	3,471	687	8,826
Printing and copying	623	228	3	131	281	304	584	732	5	45	2,936	455	4,857	8,248
Rent-facilities and storage	119,353	36,626	-	3,362	2,303	14,382	164	8,616	435	3,205	188,446	13,522	2,817	204,785
Repairs and maintenance	10,039	3,909	8,836	4,134	2,453	5,338	1,380	9,248	1,369	5,821	52,527	12,508	3,004	68,039
Salaries	913,805	360,352	82,037	348,395	188,872	475,351	217,293	782,189	63,568	225,364	3,657,226	705,740	268,210	4,631,176
Sisters' stipends	-	-	-	-	-	5,760	-	17,955	-	-	23,715	50,042	-	73,757
Staff development	1,853	140	-	40	1,196	222	69	441	-	-	3,961	31,241	1,248	36,450
Taxes and licenses	4,135	257	381	457	478	23,031	2,242	1,638	78	1,879	34,576	7,445	395	42,416
Telephone	33,861	6,120	2,094	5,169	2,388	8,337	2,630	11,732	383	2,152	74,866	13,702	3,065	91,633
Transportation	39,628	1,566	945	7,070	1,160	4,429	1,280	10,513	283	-	66,874	16,718	408	84,000
Unemployment insurance	12,780	6,888	1,541	4,271	3,437	6,365	4,294	13,514	1,291	3,961	58,342	9,752	3,986	72,080
Utilities	13,397	5,528	8,863	5,914	4,022	8,620	289	15,261	773	5,699	68,366	12,136	5,025	85,527
Workers compensation insurance	12,776	5,883	4,464	5,101	2,443	6,840	3,292	13,011	4,659	6,063	64,532	22,067	3,952	90,551
TOTAL	\$ 1,876,892	\$ 944,283	\$ 205,920	\$ 1,805,709	\$ 315,404	\$ 765,813	\$ 303,633	\$ 1,855,417	\$ 149,998	\$ 467,816	\$ 8,690,885	\$ 1,356,408	\$ 408,158	\$ 10,455,450

See notes to financial statements.

**St. Joseph Center
Statements of Cash Flows**

	Years ended June 30	
	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 1,616,457	\$ 256,333
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	424,258	418,770
Gain on forgiveness of note payable	(60,000)	(60,000)
Contributed rent	33,000	33,000
Imputed interest on noninterest bearing note payable	10,807	13,189
Interest on endowment fund	(97)	-
Changes in operating assets and liabilities:		
Funds held for others	(53,724)	(57,794)
Receivables from private and government agencies	(37,148)	(257,029)
Pledges receivable	(544,203)	95,750
Prepaid expenses and other current assets	(28,669)	(36,616)
Other assets	(39,950)	-
Accounts payable and accrued expenses	32,467	48,260
Contract advances	(245,456)	(120,026)
Due to County of Los Angeles	-	(76,669)
Funds held for others	53,724	57,794
Net cash provided by operating activities	1,161,466	314,962
Cash flows from investing activities		
Investments in board designated endowment fund	(500,000)	-
Purchase of property and equipment	(104,814)	(41,919)
Net cash used in investing activities	(604,814)	(41,919)
Cash from financing activities		
Proceeds from notes payable	-	3,488
Payment of notes payable	(498,440)	(196,688)
Net cash used in financing activities	(498,440)	(193,200)
Net change in cash and cash equivalents	58,212	79,843
Cash and cash equivalents at beginning of year	1,424,811	1,344,968
Cash and cash equivalents at end of year	\$ 1,483,023	\$ 1,424,811
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	\$ 81,670	\$ 108,637

See notes to financial statements.

NOTE 1 NATURE OF BUSINESS

St. Joseph Center's ("the Center") mission is to provide working poor families, as well as homeless men, women, and children of all ages, with the inner resources and tools to become productive, stable and self-supporting members of the community. Since 1976, the Center has been meeting the needs of low-income and homeless individuals and families in Venice, Santa Monica, Mar Vista, and surrounding communities on the Westside of Los Angeles. The Center assists people without regard for religious affiliation or lack thereof through comprehensive case management and integrated social service programs, and enjoys broad-based community support as well as a sponsored relationship with its founders, the Sisters of St. Joseph of Carondelet. St. Joseph Center serves approximately 6,000 individuals annually.

The Center's program services are funded through a combination of government grants, contributions from private foundations, and gifts from individual donors.

NOTE 2 DESCRIPTIONS OF PROGRAM SERVICES

Multifaceted intervention, prevention, and education services are carried out at four sites on the Westside of Los Angeles. The Center's integrated programs (described below) provide clients with concentrated and coordinated access to services according to the nature of their needs.

Intervention Services:

Homeless Service Center - provides long-term case management aimed at permanent housing, offers referrals for critical services such as substance abuse treatment, and makes emergency services, such as shelter placement, showers, laundry, and mailboxes available to homeless individuals and families. More than 2,000 homeless individuals were served here in 2014-15.

Chronic Homeless Initiatives - reach out to the most vulnerable homeless individuals in Venice and Santa Monica and help them transition into permanent supportive housing.

Bread and Roses Café - serves hot, nutritious meals to homeless men, women, and children in a welcoming atmosphere of dignity and respect. At least 27,000 meals are provided annually.

Housing Services - assists people in securing and maintaining permanent housing.

Senior Services - provides case management and mental health services to at-risk housed and homeless older adults, with an emphasis on eviction-prevention services and housing placement.

Monetary Advisory Program - provides at-risk mentally ill adults with case management, money management, financial literacy classes, along with help finding and maintaining housing.

Veterans Representative Payee Program - provides at-risk veterans with case management, money management, financial literacy classes, along with help finding and maintaining housing.

NOTE 2 DESCRIPTIONS OF PROGRAM SERVICES (Continued)

Prevention and Education Services:

Food Pantry - provides low-income households with supplemental groceries, nutrition education, and workshops designed to increase wellbeing and support progress toward self-sufficiency. In fiscal year 2014-15 the Food Pantry distributed enough food for approximately 1,000 households, and prepared more than 150,000 healthy meals.

Family Center - serves working poor families and individuals with case management, emergency services and targeted mental health outreach and treatment.

Culinary Training Program - educates unemployed adults in food service and life skills and helps them obtain jobs. The program places an average of 70% of graduates in permanent employment.

Early Learning Center - provides socioeconomically integrated, enriched childcare and parent education that nurtures children's healthy development while promoting stability and self-sufficiency for their families.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Center reports information regarding its financial position and activities according to three classes of net assets: *unrestricted, temporarily restricted, and permanently restricted net assets*. Net assets, revenues, gains and losses are classified based on the existence or absence and nature of donor-imposed restrictions.

Method of Accounting

The Center's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Income Tax Status

The Center is exempt from federal income tax, California tax, federal unemployment tax, and various other federal, state and local taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

Generally accepted accounting principles prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the years ended June 30, 2015 and 2014, the Center asserts that it had no unrecognized tax benefits or tax penalties or interest. There are currently no audits for any tax periods in progress. The Center remains subject to income tax examination for 2012 and subsequent years (for federal) and 2011 and subsequent years (for state).

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, all unrestricted investment instruments with original maturities of three months or less are cash equivalents.

Accounts Receivable

Accounts receivable consist of receivables recorded upon recognition of revenue based on contractual arrangements, reduced by reserves for estimated bad debts. Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is determined based on historical write-off experience, current customer or donor information and other relevant factors, including specific identification of past due accounts. Accounts are charged off against the allowance when the Center believes they are uncollectible.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at estimated fair value at the date of donation. The costs of additions and betterments are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. The Center generally capitalizes assets with an original cost over \$5,000. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

The provision for depreciation and amortization is computed using the straight-line method over the estimated useful lives of the depreciable assets as follow:

Building and leasehold improvements	30-50 years
Furniture and equipment, and vehicles	3-10 years

Leasehold improvements are amortized using the useful life of the asset or the remaining lease term, whichever is shorter.

The estimated service life of the assets for depreciation and amortization purposes may be different than their actual economic useful lives. Fully depreciated assets are retained in the accounts until their retirement.

Government Grants and Contracts

Support funded by grants is recognized as the Center performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlay are subject to audit and acceptance by the granting agency and, as result of such audit, adjustments could be required.

Grants, Contributions and Pledges

Grants and contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Conditional contributions are recorded as support in the period the condition is met. Pledges for future contributions are recorded as receivables and reported at their estimated realizable value.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions

In-kind contributions, including volunteer services and other non-cash contributions, when required by generally accepted accounting principles are reflected as contributions and expenses at their estimated fair values when received.

Functional Allocation of Expenses

Salaries and related expenses are allocated to program services and supporting services on the basis of the actual time devoted to those activities. Other expenses have been charged directly or allocated using various bases as determined by management.

In certain instances, common expenses are incurred, which support the activities performed under several grants. In absence of agreements to the contrary, such expenses are allocated on the basis that appears most reasonable to management.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include determination of accounts receivable allowance and imputed interest rate on non-interest bearing loan. Actual results could differ from those estimates.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Center's investment in a single issuer.

Custodial Credit Risk

Custodial credit risk is the risk that the Center will not be able to (a) recover deposits if the depository financial institution fails, or (b) recover the value of investments or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails.

Financial instruments that potentially subject the Center to credit risk are cash deposits with banks and other financial institutions that are in excess of the federally insured limit of \$250,000. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. At June 30, 2015, the Center had bank accounts that exceeded the Federal Deposit Insurance Corporation limit totaling \$1,071,152.

Reclassification

Certain amounts in the 2014 financial statements have been reclassified to conform with the 2015 presentation.

NOTE 4 FUNDS HELD FOR OTHERS

Funds held for others are maintained in separate bank accounts. At June 30, the funds consisted of following:

	June 30	
	2015	2014
Veterans Representative Payee Project:		
Individual accounts for clients	\$ 840,976	\$ 904,937
Client funds	499,183	295,824
Monetary Advisory Program Client Funds	155,768	241,442
	\$ 1,495,927	\$ 1,442,203

NOTE 5 DEFERRED RENT

Deferred rent represents a promise that the Center received in 2002 for the lease of the land on which the Center's headquarter office was built on, at an annual rental cost of \$1 for 50 years. Accordingly, the Center recorded the below-market lease as deferred rent asset and as a temporarily restricted contribution, restricted as to time. Deferred rent is recorded at the estimated net present value of the rent for the Center covered by a lease agreement. The deferred rent is amortized over 50 years, the life of the lease, and the annual amortization of \$33,000 reduces the temporarily restricted net assets. As of June 30, 2015 and 2014, the Center's deferred rent, net of current portion of \$33,000 for both years, amounted to \$1,188,000 and \$1,221,000, respectively.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	June 30	
	2015	2014
Land	\$ 165,447	\$ 165,447
Building	9,343,422	9,266,956
Furniture and equipment	1,602,775	1,602,775
Leashold improvements	225,143	225,143
Vehicles	264,995	236,646
	11,601,782	11,496,967
Less accumulated depreciation and amortization	(3,384,169)	(2,959,910)
	\$ 8,217,613	\$ 8,537,057

Depreciation and amortization expense was \$424,258 and \$418,770 for the years ended June 30, 2015 and 2014, respectively.

NOTE 7 NOTES PAYABLE

As of June 30, notes payable consisted of:

	June 30	
	2015	2014
<p>Unsecured note payable to East West Bank, bearing interest at prime plus 1%, requiring quarterly principal payments of \$25,000 and matures on November 12, 2015. In 2011, the Center prepaid all the required \$25,000 quarterly payments till 2015. In 2015 and 2014, the Center made additional principal payments amounting to \$462,500 and \$162,500, respectively. On November 6, 2015, the maturity of the remaining balance of the loan of \$800,000 was extended to November 12, 2020.</p>	\$ 900,000	\$ 1,362,500
<p>Non-interest bearing note payable to the Sisters of St. Joseph of Carondelet is collateralized by the deed of trust on property located at 663 Rose Avenue, Venice, CA; annual payment of \$60,000 and shown net of unamortized discount on note payable amounting to \$20,744 and \$31,551 in 2015 and 2014, respectively.</p>	159,256	208,449
<p>Note payable to the Sisters of St. Joseph of Carondelet is collateralized by the deed of trust on property located at 663 Rose Avenue, Venice, CA; bearing interest at 4%, requiring monthly payments of \$4,076; matures October 2028.</p>	504,798	532,904
<p>Truck loan payable to Ford Motor Credit, non-interest bearing and requiring monthly payments of \$595, matures in June 2018.</p>	23,561	31,395
	1,587,615	2,135,248
<p>Less current portion</p>	(271,388)	(195,243)
	\$ 1,316,227	\$ 1,940,005

NOTE 7 NOTES PAYABLE (Continued)

Interest payments made on debt obligations during the years ended June 30, 2015 and 2014 amounted to \$81,670 and \$108,637, respectively.

As of June 30, 2015 and 2014, the Center has unused line of credit amounting to \$350,000.

At June 30, 2015, annual maturities of long-term debt are as follows:

Year ending June 30		
2016	\$	271,388
2017		197,580
2018		198,820
2019		135,125
2020		134,317
2021 and thereafter		671,129
		1,608,359
Less unamortized discount		(20,744)
	\$	1,587,615

NOTE 8 CONTRACT ADVANCES

The Center has been awarded grants from the County of Los Angeles - Department of Mental Health and other government agencies to provide mental health services and other services. As of June 30, 2015 and 2014, not all advances were utilized. At June 30, 2015 and 2014, the amount of unused funds amounted to \$438,827 and \$684,283, respectively, and are shown as contract advances in the statements of financial position.

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of donor-restricted amounts received and/or pledged, which require the payment of specified program and capital campaign expenses in satisfaction of the restrictions. Temporarily restricted net assets at June 30, consisted of the following:

	June 30	
	2015	2014
Deferred rent	\$ 1,221,000	\$ 1,254,000
Restricted as to purpose	1,700,000	62,500
Restricted as to time	38,245	72,527
Income from board designated endowment fund	97	-
	\$ 2,959,342	\$ 1,389,027

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS (Continued)

On March 18, 2015, the Center was awarded a grant amounting to \$500,000 that was designated for the purpose of creating board designated endowment fund.

NOTE 10 FUNDRAISING EVENTS - NET

Fundraising events net revenue for the years ended June 30, consisted of the following:

	Year ended June 30	
	2015	2014
Gross receipts:		
Dinner dance	\$ 557,446	\$ 546,527
Other	47,871	83,391
	605,317	629,918
Expenses		
Dinner dance	134,691	118,696
Other	7,231	6,551
	141,922	125,247
	\$ 463,395	\$ 504,671

NOTE 11 COMMITMENTS AND CONTINGENCIES

Commitments

The Center leases office and program spaces, and parking spaces under various leases. Rental expense for the years ended June 30, 2015 and 2014 related to these leases amounted to \$195,471 and \$198,050, respectively.

At June 30, 2015, future commitments under the lease agreements are as follow:

Year ending June 30	
2016	\$ 171,983
2017	100,064
2018	77,008
2019	1
2020	1
2021 and thereafter	32
	\$ 349,089

NOTE 11 COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies

From time to time, the Center is involved in various claims, disputes and actions arising in the normal course of business. In the opinion of management, the ultimate disposition of those matters will not have a material adverse effect on the Center's financial position or results of activity.

NOTE 12 PRIOR PERIOD ADJUSTMENT

A correction was made to the Center's unrestricted net assets regarding the adjustments that related to its contract advances in fiscal year 2014 and prior years.

Unrestricted nets assets at July 1, 2013, as previously reported	\$ 8,039,572
Prior period adjustment	<u>(381,736)</u>
Unrestricted nets assets at July 1, 2013, as restated	<u>\$ 7,657,836</u>

NOTE 13 SUBSEQUENT EVENTS

The Center has evaluated events or transactions that occurred subsequent to the statement of financial position date through January 11, 2016, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined that no other subsequent matters required disclosure or adjustment to the accompanying financial statements.

**Report of Independent Auditors 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***

**Board of Directors
St. Joseph Center**

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 St. Joseph Center, which comprise the statement of financial position as of June 30, 2015, 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 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Joseph Center'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 St. Joseph Center's internal control. Accordingly, we do not express an opinion on the effectiveness of St. Joseph Center'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 St. Joseph Center'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.

Vargus + Company LLP

Los Angeles, California
January 11, 2016



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