Audited Financial Statements
St. Joseph Center
Year ended June 30, 2010
with Report of Independent Auditors

VASQUEZ & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS

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801 South Grand Avenue, Suite 400 ▪ Los Angeles, CA 90017-4646 ▪ Ph. (213) 629-9094 ▪ Fax (213) 996-4242 ▪ www.vasquezcpa.com

Report of Independent Auditors

Board of Directors
St. Joseph Center

We have audited the accompanying statement of financial position of St. Joseph Center, a not-for-profit organization, as of June 30, 2010 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of St. Joseph Center's management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of St. Joseph Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the financial statements, St. Joseph Center restated the beginning balance of its net assets to record the unconditional promise for the use of the land for 50 years where its building is situated and to recognize the imputed interest on a noninterest bearing note payable. The restatement resulted to a higher net assets beginning balance of $1,540,104.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2010, on our consideration of St. Joseph Center's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Vasquez + Company LLP

Los Angeles, California
October 29, 2010

St. Joseph Center
Statement of Financial Position
June 30, 2010

ASSETS

Current assets		
Cash	$	364,458
Funds held for others		1,171,011
Accounts receivable		642,041
Pledges receivable, net		538,722
Current portion of long-term receivable		33,000
Prepaid expenses and other current assets		67,672
Total current assets		2,816,904
Property and equipment		
Land		165,447
Building		9,187,722
Furniture and equipment		1,518,041
Leasehold improvements		252,927
Vehicles		131,787
		11,255,924
Less accumulated depreciation and amortization		(1,348,066)
Property and equipment, net		9,907,858
Other assets		
Long-term receivable, net of current portion		1,353,000
Security deposit		30,344
Total other assets		1,383,344
Total assets	$	14,108,106

LIABILITIES AND NET ASSETS

Current liabilities		
Current portion of notes payable	$	2,687,725
Accounts payable and accrued expenses		412,669
Funds held for others		1,171,011
Total current liabilities		4,271,405
Noncurrent liabilities		
Notes payable, net		932,820
Total liabilities		5,204,225
Net assets		
Unrestricted		7,136,437
Temporary restricted		1,767,444
Total net assets		8,903,881
Total liabilities and net assets	$	14,108,106

See notes to financial statements.

Changes in unrestricted assets		
Revenues, gains and other supports		
Grants and contracts	$	3,622,216
Cash contributions		2,124,845
In-kind contributions		586,575
Fundraising events - net		376,995
Thrift store sales		179,281
Other revenues		89,230
Total revenues, gains and other supports		6,979,142
Net assets released from restrictions		170,085
Total unrestricted revenues		7,149,227
Expenses		
Program services		6,504,908
General and administrative		862,675
Development		338,496
Total expenses		7,706,079
Change in unrestricted net assets		(556,852)
Temporarily restricted net assets		
Contributions		282,425
Net assets released from restrictions		(170,085)
Change in temporarily restricted net assets		112,340
Change in net assets		(444,512)
Net assets at beginning of year, as restated		9,348,393
Net assets at end of year	$	8,903,881

See notes to financial statements.

	Program Services	General and Administrative	Development	Total
Salaries	$ 2,940,545	$ 259,310	$ 216,036	$ 3,415,891
Client direct aid expenses	1,092,970	-	-	1,092,970
Payroll taxes and benefits	548,157	49,519	32,779	630,455
Sisters' stipends	3,350	41,576	-	44,926
Jesuit volunteers/interns	43,049	1,510	-	44,559
Rent-facilities and storage	224,764	825	-	225,589
Contracted services-subgrants	302,464	-	-	302,464
Outside services	409,192	52,465	33,881	495,537
Depreciation and amortization	302,111	100,704	-	402,815
Telephone	73,513	13,908	1,401	88,822
General liability/auto insurance	98,230	-	-	98,230
Fundraising expenses	-	-	27,201	27,201
Office and general supplies	75,382	6,066	5,895	87,342
Accounting	24,500	14,458	-	38,958
Worker's compensation insurance	67,035	3,026	3,026	73,088
Transportation	27,323	1,504	256	29,083
Non-capital equipment	37,254	1,514	525	39,293
Repairs and maintenance	64,065	4,218	2,391	70,674
Unemployment insurance	50,203	1,609	3,092	54,904
Utilities	55,822	1,046	2,294	59,161
Interest expense	14,226	164,229	-	178,455
Postage	5,842	3,264	769	9,875
Advertising/recruitment	2,943	451	154	3,548
Staff education	4,766	2,607	-	7,373
Printing and copying	5,431	2,273	924	8,628
Meals and entertainment	5,223	14,801	226	20,250
Bank charges	9,161	7,432	1,531	18,123
Dues and subscriptions	4,530	2,839	5,578	12,946
Conferences and meetings	4,754	255	539	5,548
Taxes and licenses	6,999	7,247	-	14,246
Miscellaneous	1,103	104,019	-	105,123
Total expenses	$ 6,504,908	$ 862,675	$ 338,496	$ 7,706,079

See notes to financial statements.

Cash flows from operating activities		
Change in net assets	$	(444,512)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization		402,815
Provision for doubtful accounts		100,000
Imputed interest on noninterest bearing note payable		22,085
Gain on forgiveness of note payable		(500,000)
Reversal of discount on long-term pledges		(61,512)
Changes in operating assets and liabilities:		
Funds held for others		(224,365)
Accounts receivable		(61,642)
Pledges receivable		360,163
Prepaid expenses and other current assets		(48,911)
Security deposit		(1,209)
Long-term receivable		33,000
Accounts payable and accrued expenses		51,824
Funds held for others		224,365
Net cash used in operating activities		(147,899)
Cash flows from investing activities		
Purchase of property and equipment		(98,406)
Cash used in investing activities		(98,406)
Cash from financing activities		
Proceeds from notes payable		250,000
Payment of notes payable		(463,390)
Net cash used in financing activities		(213,390)
Net change in cash		(459,695)
Cash at beginning of year		824,153
Cash at end of year	$	364,458
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	$	156,370

See notes to financial statements.

NOTE 1 NATURE OF BUSINESS

St. Joseph Center (the Center), a California nonprofit public benefit corporation, was organized under the laws of the State of California on December 29, 1986 for the purpose of meeting the basic needs of the poor. The Center administers services at its five sites on the Westside of Los Angeles to approximately 6,000 individuals.

The Center's program services are funded primarily through government grants and contributions from private foundations.

NOTE 2 DESCRIPTIONS OF PROGRAM SERVICES

St. Joseph Center's multifaceted intervention, prevention, and education services provide clients with concentrated and coordinated access to services according to the nature of their needs. Services are administered through ten programs:

Homeless Service Center – This is one of the Center's major programs which provide assessment, long-term case management and referrals to shelter, substance abuse and psychiatric treatment. In addition, the Center provides a shower, laundry facilities, telephone and mailing address to clients.

Affordable Housing Program – The Center provides case management services to homeless adults and families. It assists selected participants in obtaining Section 8 certification (federally subsidized housing) and assists in their movement into, and maintenance of, permanent housing.

Bread and Roses Café – The Café is a homeless food service program which was completed and opened for service in August 1989. It serves hot morning meals to homeless men, women and children in three different times each weekday.

Senior Services – The Center assists elderly people with independent living and provides specialized street outreach to homeless seniors. Case management, housing assistance, home visits and supplemental groceries are all provided to homebound seniors.

Family Center and Food Pantry – This major program provides case management, food, advocacy and referral to keep very-low and no-income families from becoming homeless. Educational workshops and tutoring are also offered. For fiscal year 2010, the Center distributed 19,417 bags of supplemental groceries.

NOTE 2 DESCRIPTIONS OF PROGRAM SERVICES (Continued)

Infant Toddler Development Center – This program provides all-day child care for local low-income and homeless families with children under the age of three. Parents benefit from comprehensive case management, parenting instruction, and the ability to pursue educational and work opportunities.

Early Learning Center – The Center provides a licensed, free, bilingual, Child Care/Parenting Program for preschool children of very-low and no-income families. Family participation and parenting classes are an integral part of the program.

Culinary Training Program – The Center provides a food service training program at the Bread and Roses Café for clients who qualify for and are interested in the food industry as a source of employment. The program places an average of 70% of graduates in permanent jobs.

Monetary Advisory Program (MAP) – This is a representative payee program which offers case management and money management services to seriously mentally ill men and women, many of whom are homeless or at risk of becoming homeless, allowing them to obtain or maintain housing and stability.

Veterans Representative Payee Program – The Center operates two representative payee programs for veterans which provide support services, including socialization and life skills, with the goal of moving the veteran out of homelessness into permanent housing. There is also the concurrent goal of encouraging the veteran to establish healthy life objective such as re-education and job-training.

St. Joseph Center also operates a Thrift Store, which offers used clothing, household items, furniture and equipment for sale at affordable prices. The Thrift Store is open to the public and some donations to the store are used to provide clients with free items (based on referrals from program case managers and other social service agencies). Proceeds from the store help support the programs and services described above.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Reporting

The financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, and in conformity with FASB Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

Under the provisions of FASB ASC Topic 958, net assets and changes in net assets shall be categorized and reported within three groups; those groups are Unrestricted Net Assets, Temporarily Restricted Net Assets, and Permanently Restricted Net Assets. Net assets that shall be deemed either temporarily or permanently restricted are derived from contributions from a donor who specifies such restrictions.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

As required by FASB ASC Topic 740, *Income Taxes*, the Center recognizes the effect of income tax positions only if those positions are more likely that not of being sustained. The Center does not believe its financial statements include any uncertain tax positions.

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. The Center has no cash equivalents at June 30, 2010.

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 $500. 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 is computed using the straight-line method over the estimated useful lives of the depreciable assets as follow:

Building and improvements	30-50 years
Automobiles, furniture, fixtures and equipment	3-10 years

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)
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 purposes may be different than their actual economic useful lives. Fully depreciated assets are retained in the accounts until their retirement.

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.

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.

Contributions
Contributions primarily include unconditional transfers of cash or other assets. Contributions, whether temporarily restricted or unrestricted, are recognized as revenue when they are received. Unconditional promises to give are recorded at net realizable value on the date the promise is received.

Thrift Store Sales
Thrift store sales is measured at the fair value of the consideration received or receivable net of sales tax, trade discounts and customer returns.

Investments
Investments consist of available-for-sale securities recorded at the fair value of the securities as of June 30, 2010. The unrecognized gain or loss as of June 30, 2010, was de minimis, since the cost and fair value approximate each other. The fair value was based on quoted market prices in active markets for identical assets, a level 1 input. As of June 30, 2010, the Center's investments amounted to $11,814 and included in prepaid expenses and other current assets in the statement of financial position.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The Center reports its assets and liabilities that are measured at fair value using a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. At each reporting period, the Center performs a detailed analysis of its assets and liabilities that are measured at fair value. All assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently and therefore have little or no price transparency are classified as Level 3.

The Center's financial instruments include primarily cash and cash equivalents and grants receivable, and accounts payable and accrued liabilities. Because of the short-term nature of the cash, receivables, accounts payable and accrued liabilities, the carrying amounts of these assets and liabilities approximate their fair value, which require no further disclosure.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The Center has no deposit account with a bank that exceeded the Federal Deposit Insurance Corporation insured limit.

NOTE 4 PLEDGES RECEIVABLE

At June 30, 2010, pledges receivable consist of the following:

Pledges receivable	$	638,722
Less allowance for doubtful accounts		(100,000)
	$	538,722

NOTE 5 FUNDS HELD FOR OTHERS

Funds held for others are maintained in separate bank accounts. Such funds consist of the following at June 30, 2010:

Veterans Representative Payee Project:		
Individual accounts for clients	$	728,434
Client funds		264,174
Monetary Advisory Program Client Funds		156,872
Homeless Prevention		11,837
Client Rent Account		8,379
LAHSA Dual Diagnosis		1,315
	$	1,171,011

NOTE 6 NOTES PAYABLE

As of June 30, 2010 notes payable consisted of:

$2,650,000 secured note payable to East West Bank, bearing interest at prime plus 1% and matures in November 12, 2010. The Center is under negotiation with the bank to convert this note payable to long-term debt.	$	2,450,000
$350,000 secured line of credit to East West Bank, bearing interest at prime plus 1% and matures on November 12, 2010. The Center is under negotiation with the bank to convert this note payable to long-term debt.		150,000
$600,000 non-interest bearing note payable to the Sisters of St. Joseph of Carondelet, collateralized by 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 $99,019.		380,981
$672,609 note payable to the Sisters of St. Joseph of Carondelet, collateralized by 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.		634,748
$15,946 truck loan payable to Ford Motor Credit, bearing interest at 10.17%, requiring monthly payments of $340, matures on September 23, 2012.		4,816
		3,620,545
Less current portion		(2,687,725)
	$	932,820

Annual maturities of long-term debt are as follows:

Year ending June 30		
2011	$	2,687,725
2012		85,980
2013		85,949
2014		87,006
2015		88,106
Thereafter		585,779
	$	3,620,545

NOTE 6 NOTES PAYABLE (Continued)

Interest payments made on debt obligations during the year amounted to $156,370. As of June 30, 2010, the Center has unused line of credit amounting to $200,000.

NOTE 7 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, 2010 is composed of the following:

Restricted to time	$	1,555,019
Eviction Prevention and Rental Assistance		122,414
Family Center		25,000
Bread and Roses		22,500
Homeless Prevention		15,011
Food Pantry		15,000
Culinary Training Program		12,500
	$	1,767,444

NOTE 8 FUNDRAISING EVENTS, NET

Fundraising events, net during the year ended June 30, 2010, consist of the following:

	Gross Receipts	Expenses	Net
Dinner Dance	$ 470,412	$ (120,337)	$ 350,075
Others	38,005	(11,085)	26,920
	$ 508,417	$ (131,422)	$ 376,995

NOTE 9 COMMITMENTS AND CONTINGENCIES

The Center leases office and program spaces, and equipment under various leases. Rental expense for the year ended June 30, 2010 related to these leases amounted to $250,865.

NOTE 9 COMMITMENTS AND CONTINGENCIES (Continued)

Future rental commitments under the lease agreements are as follow:

Year ending June 30		
2011	$	207,177
2012		102,870
2013		107,221
2014		112,801
2015		58,206
	$	588,275

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 10 PRIOR PERIOD ADJUSTMENTS

The Center failed to record the unconditional promise to use of the land where its headquarters' building is situated. In April 2002, the Center leased the land from the Archdiocese of Los Angeles Education and Welfare Corporation (Archdiocese) for an annual payment of $1. The lease is for 50 years but the Archdiocese retains legal title to the land and has no bargain option at the end of the lease term. The unconditional promise for the use of the land for 50 years should be reported as revenue and as a contribution receivable for the difference between the fair rental value of the property and the stated amount of the lease payments. The Center should have recognized $1,650,000, the fair value of the land as in accordance with ASC Topic 958, Section 605, *Revenue Recognition.* Amounts reported as contribution should not exceed the fair value of the long-lived assets at the time an organization receives the unconditional promise to give.

In October 2008, the Center obtained a non-interest bearing loan from the Sisters of St. Joseph of Carondelet amounting to $600,000, with annual principal payments of $60,000 each year. The Center failed to recognize the imputed interest in this long-term loan amounting to $138,714.

As a result of correcting the errors discussed above, the net assets as of July 1, 2009 increased by $1,540,104.

Net assets as of July 1, 2009, as reported	$ 7,808,289
Prior period adjustment:	
Contributed use of long-lived asset	1,419,000
Imputed interest on non-interest bearing loan	121,104
	1,540,104
Net assets as of July 1, 2009, as restated	$ 9,348,393

NOTE 11 SUBSEQUENT EVENTS

Subsequent to June 30, 2010 and through October 29, 2010, the date through which management evaluated subsequent events and on which the financial statements were issued, the Center did not identify any subsequent events that require disclosure.

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& COMPANY LLP
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801 South Grand Avenue, Suite 400 ▪ Los Angeles, CA 90017-4646 ▪ Ph. (213) 629-9094 ▪ Fax (213) 996-4242 ▪ www.vasquezcpa.com

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
(A California Nonprofit Public Benefit Corporation)

We have audited the financial statements of St. Joseph Center, a California not-for-profit corporation, (the Center) as of and for the year ended June 30, 2010 and have issued our report thereon dated October 29, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Joseph Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of St. Joseph Center's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Joseph Center's financial statements are free of 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.*

This report is intended solely for the information and the use of the Board of Directors, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than the specified parties.

Vasquez + Company LLP

Los Angeles, California
October 29, 2010