Audited Financial Statements
St. Joseph Center
Years ended June 30, 2011 and 2010
with Report of Independent Auditors

VASQUEZ & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS

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Report of Independent Auditors

Board of Directors
St. Joseph Center

We have audited the accompanying statements of financial position of St. Joseph Center, a not-for-profit organization, as of June 30, 2011 and 2010 and the related statements of activities, functional expenses and cash flows for the years 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 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 audits 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 audits provide 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, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11 to the financial statements, St. Joseph Center restated the July 1, 2009 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 increased net assets beginning balance by $1,540,104.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2011, 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 audits.

Vasquez + Company LLP

Los Angeles, California
December 9, 2011

	June 30	
	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents	**$ 396,387**	$ 364,458
Funds held for others	**1,192,413**	1,171,011
Accounts receivable, net	**402,457**	642,041
Pledges receivable, net	**718,189**	538,722
Current portion of long-term receivable	**33,000**	33,000
Prepaid expenses and other current assets	**21,956**	67,672
Total current assets	**2,764,402**	2,816,904
Property and equipment		
Land	**165,447**	165,447
Building	**9,218,003**	9,187,722
Furniture and equipment	**1,520,242**	1,518,041
Leasehold improvements	**253,984**	252,927
Vehicles	**131,786**	131,787
	11,289,462	11,255,924
Less accumulated depreciation and amortization	**(1,751,682)**	(1,348,066)
Property and equipment, net	**9,537,780**	9,907,858
Other assets		
Long-term receivable, net of current portion	**1,320,107**	1,353,000
Security deposit	**30,344**	30,344
Total other assets	**1,350,451**	1,383,344
Total assets	**$ 13,652,633**	$ 14,108,106
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of notes payable	**$ 336,013**	$ 2,687,725
Accounts payable and accrued expenses	**440,326**	412,669
Funds held for others	**1,192,413**	1,171,011
Total current liabilities	**1,968,752**	4,271,405
Noncurrent liabilities		
Notes payable, net	**2,666,993**	932,820
Total liabilities	**4,635,745**	5,204,225
.		
Net assets		
Unrestricted	**7,050,112**	7,136,437
Temporary restricted	**1,966,776**	1,767,444
Total net assets	**9,016,888**	8,903,881
Total liabilities and net assets	**$ 13,652,633**	$ 14,108,106

See notes to financial statements.

	Years ended June 30 2011	2010
Changes in unrestricted assets		
Revenues, gains and other support		
Grants and contracts	**$ 3,478,675**	$ 3,622,216
Cash contributions	**2,203,260**	2,124,845
In-kind contributions	**760,838**	586,575
Fundraising events - net	**329,530**	376,995
Thrift store sales	**267,012**	179,281
Other revenues	**162,877**	89,230
Total revenues, gains and other support	**7,202,192**	6,979,142
Net assets released from restrictions	**276,172**	170,085
Total unrestricted revenues	**7,478,364**	7,149,227
Expenses		
Program services	**5,730,768**	5,791,598
General and administrative	**1,512,740**	1,540,192
Development	**321,181**	374,289
Total expenses	**7,564,689**	7,706,079
Change in unrestricted net assets	**(86,325)**	(556,852)
Temporarily restricted net assets		
Contributions	**475,504**	282,425
Net assets released from restrictions	**(276,172)**	(170,085)
Change in temporarily restricted net assets	**199,332**	112,340
Change in net assets	**113,007**	(444,512)
Net assets at beginning of year, as restated	**8,903,881**	9,348,393
Net assets at end of year	**$ 9,016,888**	$ 8,903,881

See notes to financial statements.

	Program Services	General and Administrative	Development	Total
Salaries	$ 2,216,891	$ 724,530	$ 201,920	$ 3,143,341
Payroll taxes and benefits	402,609	113,963	35,312	551,884
Sisters' stipends	11,198	40,034	-	51,232
Jesuit volunteers/interns	58,879	817	-	59,696
Client direct aid expenses	1,204,994	-	-	1,204,994
Rent-facilities and storage	217,979	3,386	79	221,444
Contracted services-subgrants	320,248	-	-	320,248
Outside services	316,000	79,232	14,871	410,103
Depreciation and amortization	300,425	84,813	18,378	403,616
Telephone	49,031	21,722	1,476	72,229
General liability/auto insurance	101,084	21,979	4,534	127,597
Fundraising expenses	-	11,845	5,894	17,739
Office and general supplies	40,190	22,841	2,222	65,253
Accounting	18,927	18,150	1,203	38,280
Worker's compensation insurance	44,825	9,710	2,504	57,039
Transportation	27,223	12,041	77	39,341
Non-capital equipment	34,033	5,990	1,143	41,166
Repairs and maintenance	39,940	17,967	2,578	60,485
Unemployment insurance	118,946	27,691	8,913	155,550
Utilities	47,421	8,042	1,687	57,150
Interest expense	115,763	43,789	9,432	168,984
Postage	4,029	1,911	934	6,874
Advertising/recruitment	857	1,414	-	2,271
Staff education	2,378	5,514	64	7,956
Printing and copying	6,987	1,497	590	9,074
Meals and entertainment	3,090	14,643	73	17,806
Bank charges	6,807	9,205	1,184	17,196
Dues and subscriptions	1,841	3,777	5,866	11,484
Conferences and meetings	3,663	1,614	-	5,277
Taxes and licenses	8,748	13,896	247	22,891
Miscellaneous	5,762	190,727	-	196,489
Total expenses	$ 5,730,768	$ 1,512,740	$ 321,181	$ 7,564,689

See notes to financial statements.

	Program Services	General and Administrative	Development	Total
Salaries	$ 2,490,718	$ 709,137	$ 216,036	$ 3,415,891
Payroll taxes and benefits	471,275	126,401	32,779	630,455
Sisters' stipends	3,350	41,576	-	44,926
Jesuit volunteers/interns	43,049	1,510	-	44,559
Client direct aid expenses	1,092,569	401	-	1,092,970
Rent-facilities and storage	224,764	825	-	225,589
Contracted services-subgrants	302,464	-	-	302,464
Outside services	343,687	117,970	33,880	495,537
Depreciation and amortization	299,829	84,644	18,342	402,815
Telephone	50,003	37,418	1,401	88,822
General liability/auto insurance	20,511	77,719	-	98,230
Fundraising expenses	-	-	27,201	27,201
Office and general supplies	53,727	27,721	5,894	87,342
Accounting	-	38,958	-	38,958
Worker's compensation insurance	62,234	7,827	3,027	73,088
Transportation	20,758	8,069	256	29,083
Non-capital equipment	32,565	6,203	525	39,293
Repairs and maintenance	45,449	22,834	2,391	70,674
Unemployment insurance	44,006	7,806	3,092	54,904
Utilities	49,968	6,899	2,294	59,161
Interest expense	108,499	52,504	17,452	178,455
Postage	4,474	4,632	769	9,875
Advertising/recruitment	2,625	769	154	3,548
Staff education	3,753	3,620	-	7,373
Printing and copying	5,016	2,688	924	8,628
Meals and entertainment	4,394	15,630	226	20,250
Bank charges	4,013	12,579	1,531	18,123
Dues and subscriptions	224	7,145	5,577	12,946
Conferences and meetings	4,322	688	538	5,548
Taxes and licenses	2,328	11,918	-	14,246
Miscellaneous	1,024	104,101	-	105,125
Total expenses	$ 5,791,598	$ 1,540,192	$ 374,289	$ 7,706,079

See notes to financial statements.

		Years ended June 30		
		2011		2010
Cash flows from operating activities				
Change in net assets	**$**	**113,007**	$	(444,512)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities				
Depreciation and amortization		**403,616**		402,815
Provision for doubtful accounts		**189,675**		100,000
Imputed interest on noninterest bearing note payable		**20,155**		22,085
Gain on forgiveness of note payable		**(60,000)**		(560,000)
Reversal of discount on long-term pledges		**-**		(61,512)
Changes in operating assets and liabilities:				
Funds held for others		**(21,402)**		(224,365)
Accounts receivable		**49,909**		(61,642)
Pledges receivable		**(179,467)**		360,163
Prepaid expenses and other current assets		**45,716**		(48,911)
Security deposit		**-**		(1,209)
Long-term receivable		**32,893**		33,000
Accounts payable and accrued expenses		**27,657**		51,824
Funds held for others		**21,402**		224,365
Net cash provided by (used in) operating activities		**643,161**		(207,899)
Cash flows from investing activities				
Purchase of property and equipment		**(33,538)**		(98,406)
Cash used in investing activities		**(33,538)**		(98,406)
Cash from financing activities				
Proceeds from notes payable		**-**		250,000
Payment of notes payable		**(577,694)**		(403,390)
Net cash used in financing activities		**(577,694)**		(153,390)
Net change in cash		**31,929**		(459,695)
Cash at beginning of year		**364,458**		824,153
Cash at end of year	**$**	**396,387**	$	364,458
Supplemental disclosures of cash flow information				
Cash paid during the year for:				
Interest	**$**	**148,829**	$	156,370

See notes to financial statements.

NOTE 1 NATURE OF BUSINESS

Since 1976, St. Joseph 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 primarily through government grants along with contributions from private foundations and 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. St. Joseph Center's integrated programs (described below) provide clients with concentrated and coordinated access to services according to the nature of their needs.

<u>Intervention Services:</u>

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 2,200 homeless individuals were served here in 2010-11.

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 25,000 meals are provided annually.

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

Senior Services - provides case management 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:

Family Center and Food Pantry - serves working poor families and individuals with case management, groceries, emergency services, educational workshops, recreational opportunities that build family cohesion, and enrichment activities for youth ages 6-17. In fiscal year 2010-11, the Food Pantry distributed more the 20,000 bags of supplemental groceries.

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 enriched childcare and parent education that nurtures children's healthy development while promoting stability and self-sufficiency for their families.

Thrift Store:

St. Joseph Center also operates a Thrift Store at 1828 Lincoln Boulevard in Santa Monica, CA which offers great used items 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 clothing. Proceeds from the store help support the programs and services described above.

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, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Center does not have any permanently restricted net assets at June 30, 2011 and 2010.

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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2011 and 2010, the Center had no unrecognized tax benefits or tax penalties or interest.

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 $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

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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2011 and 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, 2011 and 2010, the Center’s investments amounted to $0 and $11,814, respectively, and included in prepaid expenses and other current assets in the statement of financial position.

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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 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.

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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Custodial Credit Risk (continued)

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 ACCOUNTS RECEIVABLE

At June 30, accounts receivable consist of the following:

	June 30	
	2011	2010
Grants receivable	**$ 575,417**	$ 634,236
Accounts receivable - subgrantee	**7,040**	7,805
	582,457	642,041
Less allowance for doubtful accounts	**(180,000)**	-
	$ 402,457	$ 642,041

NOTE 5 PLEDGES RECEIVABLE

At June 30, pledges receivable consist of the following:

	June 30	
	2011	2010
Pledges receivable	**$ 718,189**	$ 638,722
Less allowance for doubtful accounts	**-**	(100,000)
	$ 718,189	$ 538,722

NOTE 6 FUNDS HELD FOR OTHERS

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

	June 30	
	2011	2010
Veterans Representative Payee Project:		
Individual accounts for clients	**$ 763,228**	$ 728,434
Client funds	**269,837**	264,174
Monetary Advisory Program Client Funds	**146,029**	156,872
Homeless Prevention	**10,388**	11,837
Client Rent Account	**2,931**	8,379
LAHSA Dual Diagnosis	**-**	1,315
	$ 1,192,413	$ 1,171,011

NOTE 7 NOTES PAYABLE

As of June 30, notes payable consisted of:

	June 30	
	2011	2010
Unsecured note payable to East West Bank, bearing interest at prime plus 1%, requiring quarterly principal payments of $25,000 and matures on November 12, 2015.	**$ 1,900,000**	$ 2,450,000
Unsecured line of credit to East West Bank, bearing interest at prime plus 1% and matured on November 12, 2011. The maturity date was extended to February 12, 2012.	**150,000**	150,000
Non-interest bearing note payable to the Sisters of St. Joseph of Carondelet is unsecured; annual payment of $60,000 and shown net of unamortized discount on note payable amounting to $78,864.	**341,136**	380,981
Note payable to the Sisters of St. Joseph of Carondelet is unsecured; bearing interest at 4%, requiring monthly payments of $4,076; matures October 2028.	**610,791**	634,748
Truck loan payable to Ford Motor Credit, bearing interest at 10.17%, requiring monthly payments of $340, matures on September 23, 2012.	**1,079**	4,816
	3,003,006	3,620,545
Less current portion	**(336,013)**	(2,687,725)
	$ 2,666,993	$ 932,820

Annual maturities of long-term debt are as follows:

Year ending June 30	
2012	$ 336,013
2013	185,950
2014	187,007
2015	188,108
2016	189,253
Thereafter	1,995,539
	3,081,870
Less: unamortized discount	(78,864)
	$ 3,003,006

NOTE 7 NOTES PAYABLE (Continued)

Interest payments made on debt obligations during the year ended June 30, 2011 and 2010 amounted to $148,830 and $156,370, respectively. As of June 30, 2011 and 2010, the Center has unused line of credit amounting to $200,000.

NOTE 8 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, is composed of the following:

	June 30	
	2011	2010
Restricted to time	**$ 1,431,864**	$ 1,555,019
Homeless Service Center	**149,500**	-
Family Self Sufficiency	**100,000**	-
Affordable Housing Program	**82,753**	-
Food and Shelter	**50,000**	-
Eviction Prevention and Rental Assistance	**44,398**	122,414
Early Learning Center	**25,750**	-
Family Center	**20,000**	25,000
Bread and Roses	**22,500**	22,500
Food Pantry	**20,000**	15,000
Culinary Training	**5,000**	12,500
Homeless Prevention	**15,011**	15,011
	$ 1,966,776	$ 1,767,444

NOTE 9 FUNDRAISING EVENTS - NET

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

	Year ended June 30	
	2011	2010
Gross receipts:		
Dinner dance	**$ 417,943**	$ 470,412
Other	**32,846**	38,005
	450,789	508,417
Expenses		
Dinner dance	**118,001**	120,337
Other	**3,258**	11,085
	121,259	131,422
	$ 329,530	$ 376,995

NOTE 10 COMMITMENTS AND CONTINGENCIES

The Center leases office and program spaces, and equipment under various leases. Rental expense for the years ended June 30, 2011 and 2010 related to these leases amounted to $221,444 and $250,865, respectively.

Future rental commitments under the lease agreements are as follow:

Year ending June 30		
2012	$	102,870
2013		107,221
2014		112,801
2015		58,206
2016		1
	$	381,099

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 11 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. In accordance with ASC Topic 958, Section 605, *Revenue Recognition,* the Center should have recognized $1,650,000, the fair value of the land. 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.

NOTE 11 PRIOR PERIOD ADJUSTMENTS (Continued)

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 12 SUBSEQUENT EVENTS

The Center has evaluated events or transactions that occurred subsequent to the statement of financial position date through December 9, 2011 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.

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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, 2011 and have issued our report thereon dated December 9, 2011. 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

Management of the Center is responsible for establishing and maintaining effective 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
December 9, 2011