

**Audited Financial Statements**  
**St. Joseph Center**  
***Years ended June 30, 2013 and 2012***  
***with Report of Independent Auditors***

	<u>PAGE</u>
<b>REPORT OF INDEPENDENT AUDITORS</b>	1
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8
<b>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</b>	17

## **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, 2013 and 2012 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, 2013 and 2012, 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 October 31, 2013, 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  
October 31, 2013**

**St. Joseph Center  
Statements of Activities**

		June 30	
		2013	2012
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$	1,344,968	\$ 635,654
Funds held for others		1,384,408	1,369,176
Accounts receivable, net		930,100	703,400
Pledges receivable		141,547	204,047
Current portion of long-term receivable		33,000	33,000
Prepaid expenses and other current assets		3,849	17,029
<b>Total current assets</b>		<b>3,837,872</b>	<b>2,962,306</b>
<b>Property and equipment</b>			
Land		165,447	165,447
Building		9,239,437	9,228,457
Furniture and equipment		1,591,861	1,594,807
Leasehold improvements		225,143	278,314
Vehicles		233,159	180,506
		11,455,047	11,447,531
Less accumulated depreciation and amortization		(2,541,139)	(2,157,108)
<b>Property and equipment, net</b>		<b>8,913,908</b>	<b>9,290,423</b>
<b>Other assets</b>			
Long-term receivable, net of current portion		1,262,113	1,319,674
Security deposit		16,900	30,850
<b>Total other assets</b>		<b>1,279,013</b>	<b>1,350,524</b>
<b>Total assets</b>	<b>\$</b>	<b>14,030,793</b>	<b>\$ 13,603,253</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities</b>			
Current portion of notes payable	\$	94,144	\$ 85,950
Accounts payable and accrued expenses		536,161	520,573
Contract advances		486,030	-
Due to County of Los Angeles		76,669	-
Funds held for others		1,384,408	1,369,176
<b>Total current liabilities</b>		<b>2,577,412</b>	<b>1,975,699</b>
<b>Noncurrent liabilities</b>			
Notes payable, net of current portion		2,281,115	2,636,669
<b>Total liabilities</b>		<b>4,858,527</b>	<b>4,612,368</b>
<b>Net assets</b>			
Unrestricted		7,568,272	7,055,272
Temporary restricted		1,603,994	1,935,613
<b>Total net assets</b>		<b>9,172,266</b>	<b>8,990,885</b>
<b>Total liabilities and net assets</b>	<b>\$</b>	<b>14,030,793</b>	<b>\$ 13,603,253</b>

See notes to financial statements.

**St. Joseph Center  
Statements of Activities**

	<b>Years ended June 30</b>	
	<b>2013</b>	<b>2012</b>
<b>Changes in unrestricted assets</b>		
<b>Revenues, gains and other support</b>		
Grants and government contracts	\$ 5,249,090	\$ 3,893,617
Cash contributions	2,025,317	1,141,267
In-kind contributions	589,901	712,986
Fundraising events - net	409,899	378,219
Thrift store sales	114,373	211,752
Child care fees	416,292	353,360
Other revenues	46,368	270,765
<b>Total revenues, gains and other support</b>	<b>8,851,240</b>	<b>6,961,966</b>
<b>Net assets released from restrictions</b>	<b>677,142</b>	<b>602,477</b>
<b>Total unrestricted revenues</b>	<b>9,528,382</b>	<b>7,564,443</b>
<b>Expenses</b>		
Program services	7,522,037	6,034,171
General and administrative	1,140,749	1,223,105
Development	352,596	302,007
<b>Total expenses</b>	<b>9,015,382</b>	<b>7,559,283</b>
<b>Change in unrestricted net assets</b>	<b>513,000</b>	<b>5,160</b>
<b>Temporarily restricted net assets</b>		
Contributions	345,523	571,314
Net assets released from restrictions	(677,142)	(602,477)
<b>Change in temporarily restricted net assets</b>	<b>(331,619)</b>	<b>(31,163)</b>
<b>Change in net assets</b>	<b>181,381</b>	<b>(26,003)</b>
<b>Net assets at beginning of year</b>	<b>8,990,885</b>	<b>9,016,888</b>
<b>Net assets at end of year</b>	<b>\$ 9,172,266</b>	<b>\$ 8,990,885</b>

*See notes to financial statements.*

**St. Joseph Center**  
**Statement of Functional Expenses**  
**Year ended June 30, 2013**

	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	Thrift Store	Total Program Services	General and Administrative	Development	Total Expenses
Salaries	\$ 936,012	\$ 346,608	\$ 75,176	\$ 162,465	\$ 168,202	\$ 418,412	\$ 213,049	\$ 711,272	\$ 58,074	\$ 226,424	\$ 61,138	\$ 3,376,832	\$ 584,992	\$ 215,526	\$ 4,177,350
Payroll taxes and benefits	160,234	68,111	15,974	25,772	33,697	77,743	48,095	123,174	7,485	47,808	7,271	615,364	96,347	35,298	747,009
Sisters' stipends	-	-	-	-	-	7,753	-	18,375	-	-	-	26,128	46,708	-	72,836
Jesuit volunteers/interns	3,588	27,554	4,295	22,173	-	-	-	5,489	3,874	-	-	66,973	403	-	67,376
Client direct aid expenses	174,370	266,259	40,359	56,132	204	3,023	-	511,541	8,753	-	124,213	1,184,854	80	-	1,184,934
Rent-facilities and storage	109,809	36,654	-	770	863	6,606	108	4,394	412	1,412	91,055	252,083	4,946	1,107	258,136
Contracted services - subgrants	146,573	133,024	-	40,574	-	2,327	-	31,484	-	-	-	353,982	-	-	353,982
Outside services	160,780	37,322	1,208	9,293	25,389	65,583	2,497	141,764	5,002	39,597	1,499	489,934	76,506	27,026	593,466
Depreciation and amortization	47,018	29,534	15,003	13,644	21,978	44,773	3,721	82,087	39,664	45,314	-	342,736	47,449	20,500	410,685
Telephone	28,667	8,658	3,257	2,551	2,443	6,386	2,166	10,318	471	2,158	422	67,497	11,304	2,167	80,968
General liability/auto insurance	34,941	12,350	6,825	3,767	3,030	14,263	7,286	28,587	2,619	8,108	3,806	125,582	21,301	6,225	153,108
Office and general supplies	9,360	4,213	8,123	2,551	650	3,014	5,653	6,402	2,041	15,676	1,070	58,753	26,677	1,800	87,230
Accounting	7,118	2,812	745	799	596	2,705	1,724	6,541	544	1,925	716	26,225	17,903	1,469	45,597
Workers compensation insurance	11,631	4,912	4,205	2,003	2,230	5,374	2,783	9,171	3,483	7,237	1,454	54,483	7,252	2,713	64,448
Transportation	26,363	4,924	2,076	5,091	1,125	4,626	929	9,222	398	114	178	55,046	15,773	128	70,947
Non-capital equipment	6,982	3,690	4,728	3,515	4,479	9,296	4,611	6,204	255	6,588	-	50,348	8,586	1,908	60,842
Repairs and maintenance	7,924	5,766	6,820	1,651	2,366	6,544	70	10,131	1,541	9,276	160	52,249	8,887	2,892	64,028
Unemployment insurance	18,461	7,799	1,978	3,526	3,537	10,792	4,175	16,669	1,938	4,883	957	74,715	8,781	3,780	87,276
Utilities	11,953	5,741	8,758	2,884	3,609	9,696	173	18,301	1,275	6,112	2,648	71,150	11,758	4,787	87,695
Interest expense	4,199	2,240	-	3,650	4,895	12,575	172	24,586	1,804	8,256	-	62,377	55,136	6,468	123,981
Postage	375	146	65	297	402	943	180	1,617	106	511	6	4,648	5,967	668	11,283
Advertising/recruitment	-	-	-	-	-	-	-	-	-	-	-	-	1,436	-	1,436
Staff education	5,778	1,901	429	384	6,496	1,902	969	5,156	363	2,375	430	26,183	24,287	906	51,376
Printing and copying	531	313	70	308	338	1,862	99	501	94	265	-	4,381	400	8,067	12,848
Meals and entertainment	820	957	-	-	70	221	117	416	-	847	30	3,478	13,695	29	17,202
Bank charges	-	-	68	-	-	-	-	-	-	-	3,566	3,634	28,739	3,270	35,643
Dues and subscriptions	19	274	-	57	26	2,580	-	295	29	104	425	3,809	5,318	5,382	14,509
Conferences and meetings	4,565	0	-	175	-	852	85	884	-	-	-	6,561	3,748	-	10,309
Taxes and licenses	218	99	477	123	2,011	17,299	1	6,643	107	1,045	-	28,023	4,068	290	32,381
Miscellaneous	174	-	-	50	-	437	100	159	52	25	33,012	34,009	2,302	190	36,501
<b>TOTALS</b>	<b>\$ 1,918,463</b>	<b>\$ 1,011,861</b>	<b>\$ 200,639</b>	<b>\$ 364,205</b>	<b>\$ 288,636</b>	<b>\$ 737,587</b>	<b>\$ 298,763</b>	<b>\$ 1,791,383</b>	<b>\$ 140,384</b>	<b>\$ 436,060</b>	<b>\$ 334,056</b>	<b>\$ 7,522,037</b>	<b>\$ 1,140,749</b>	<b>\$ 352,596</b>	<b>\$ 9,015,382</b>

See notes to financial statements.

**St. Joseph Center**  
**Statement of Functional Expenses**  
**Year ended June 30, 2012**

	Chronic Homeless Initiatives	Homeless Service Center	Bread & Roses Café	Housing Services	Senior Services	Monetary Advisory Program	Veterans Rep Payee Program	Family Center and Food Pantry	Culinary Training Program	Early Learning Center	Thrift Store	Total Program Services	General and Administrative	Development	Total Expenses
Salaries	\$ 641,871	\$ 382,058	\$ 73,742	\$ 90,036	\$ 62,627	\$ 332,382	\$ 223,021	\$ 451,282	\$ 47,801	\$ 204,073	\$ 95,648	\$ 2,604,541	\$ 653,718	\$ 187,157	\$ 3,445,416
Payroll taxes and benefits	100,372	67,013	13,477	16,308	12,193	56,128	41,877	73,857	10,907	42,245	16,422	450,799	104,871	31,925	587,595
Sisters' stipends	-	-	-	-	-	7,280	-	17,325	-	-	-	24,605	44,565	-	69,170
Jesuit volunteers/interns	1,719	18,010	2,149	18,625	-	-	-	6,038	2,149	-	-	48,690	-	-	48,690
Client direct aid expenses	27,708	306,231	49,737	-	7,500	823	-	428,218	21,341	3,637	211,752	1,056,947	263	-	1,057,210
Rent-facilities and storage	67,112	43,812	-	1,152	48	5,739	690	1,828	1,320	125	93,583	215,409	7,065	107	222,581
Contracted services - subgrants	47,203	142,230	-	-	-	148,198	-	24,422	-	-	-	362,053	-	-	362,053
Outside services	86,907	31,879	965	7,040	4,935	51,311	-	61,226	5,152	32,914	2,245	284,574	85,797	16,076	386,447
Depreciation and amortization	30,430	33,661	15,475	10,902	8,624	39,984	2,732	91,728	40,217	49,224	13,155	336,132	46,627	22,667	405,426
Telephone	19,270	9,377	2,492	1,522	1,144	5,909	4,143	7,409	1,544	2,515	3,005	58,330	11,909	2,376	72,615
General liability/auto insurance	22,710	21,253	7,094	2,992	2,263	13,023	7,790	16,166	2,796	7,722	5,865	109,674	23,337	6,306	139,317
Office and general supplies	8,779	5,093	8,196	1,133	646	3,121	3,821	6,821	2,176	3,962	3,883	47,631	25,217	2,306	75,154
Accounting	4,750	3,969	805	533	520	2,178	1,800	3,441	538	1,624	1,116	21,274	20,006	1,384	42,664
Workers compensation insurance	7,747	5,362	4,271	1,116	716	4,269	2,744	7,310	2,337	6,976	5,236	48,084	10,081	2,359	60,524
Transportation	9,836	3,662	3,212	1,719	209	3,312	639	4,200	146	-	592	27,527	15,449	100	43,076
Non-capital equipment	1,431	2,118	2,247	671	311	6,972	4,001	6,088	340	6,170	520	30,869	3,225	904	34,998
Repairs and maintenance	7,455	12,413	9,115	1,510	1,126	5,735	95	10,305	1,110	4,799	925	54,588	15,164	3,251	73,003
Unemployment insurance	22,651	17,389	3,603	3,419	2,207	11,135	6,718	17,764	1,847	10,135	4,190	101,058	17,060	4,816	122,934
Utilities	7,059	6,159	7,775	1,145	926	4,481	132	8,065	6,972	3,263	5,826	51,803	6,651	2,603	61,057
Interest expense	9,524	7,520	-	2,844	2,809	10,612	-	20,322	2,913	8,731	11	65,286	65,089	7,482	137,857
Postage	501	394	-	209	176	817	634	1,139	171	621	-	4,662	2,545	1,113	8,320
Advertising/recruitment	-	-	-	-	46	-	25	50	166	-	-	287	3,011	-	3,298
Staff education	459	91	42	85	-	279	-	1,517	43	270	-	2,786	10,510	115	13,411
Printing and copying	524	518	43	137	56	299	35	597	105	68	496	2,878	387	168	3,433
Meals and entertainment	1,056	645	148	24	170	248	165	643	151	22	-	3,272	19,810	81	23,163
Bank charges	363	151	9	1	1	2,717	-	37	1	6	5,219	8,505	17,655	2,809	28,969
Dues and subscriptions	-	-	-	-	-	2,322	-	-	-	-	11	2,333	3,109	5,475	10,917
Conferences and meetings	1,851	1,505	-	-	9	-	-	514	-	489	-	4,368	5,350	-	9,718
Taxes and licenses	927	651	237	104	103	405	-	535	586	1,341	73	4,962	3,294	352	8,608
Miscellaneous	-	-	-	-	25	25	-	-	6	-	188	244	1,340	75	1,659
<b>TOTALS</b>	<b>\$ 1,130,215</b>	<b>\$ 1,123,164</b>	<b>\$ 204,834</b>	<b>\$ 163,227</b>	<b>\$ 109,390</b>	<b>\$ 719,704</b>	<b>\$ 301,062</b>	<b>\$ 1,268,847</b>	<b>\$ 152,835</b>	<b>\$ 390,932</b>	<b>\$ 469,961</b>	<b>\$ 6,034,171</b>	<b>\$ 1,223,105</b>	<b>\$ 302,007</b>	<b>\$ 7,559,283</b>

See notes to financial statements.



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

	Years ended June 30	
	2013	2012
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 181,381	\$ (26,003)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	410,685	405,426
Imputed interest on noninterest bearing note payable	15,999	18,127
Gain on forgiveness of note payable	(60,000)	(60,000)
Loss on disposal of property and equipment	33,110	-
Changes in operating assets and liabilities:		
Funds held for others	(15,232)	(176,763)
Accounts receivable	(226,700)	(300,943)
Pledges receivable	62,500	514,142
Prepaid expenses and other current assets	13,180	4,927
Security deposit	13,950	(506)
Long-term receivable	57,561	433
Accounts payable and accrued expenses	15,588	80,247
Contract advances	486,030	-
Due to County of Los Angeles	76,669	-
Funds held for others	15,232	176,763
<b>Net cash provided by operating activities</b>	<b>1,079,953</b>	<b>635,850</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(67,280)	(158,069)
<b>Cash used in investing activities</b>	<b>(67,280)</b>	<b>(158,069)</b>
<b>Cash from financing activities</b>		
Proceeds from notes payable	35,684	-
Payment of notes payable	(339,043)	(238,514)
<b>Net cash used in financing activities</b>	<b>(303,359)</b>	<b>(238,514)</b>
<b>Net change in cash and cash equivalents</b>	<b>709,314</b>	<b>239,267</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>635,654</b>	<b>396,387</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,344,968</b>	<b>\$ 635,654</b>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the year for:		
Interest	\$ 123,981	\$ 137,857

See notes to financial statements.

**NOTE 1      NATURE OF BUSINESS**

St. Joseph Center's 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, 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 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. St. Joseph 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 1,700 homeless individuals were served here in 2012-13.

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 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.

**NOTE 2      DESCRIPTIONS OF PROGRAM SERVICES (Continued)**

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

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 2012-13, the Food Pantry distributed enough food for clients to prepare 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, 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, 2013 and 2012.

**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, 2013 and 2012, 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 2010 and subsequent years (for federal) and 2009 and subsequent years (for state).

**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 \$2,000. 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 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.

**NOTE 3      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment (continued)**

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 are measured at the fair value of the consideration received or receivable net of sales tax, trade discounts and customer returns.

**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.

**NOTE 3      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Reclassification**

Certain amounts in the 2012 financial statements have been reclassified to conform with the 2013 presentation.

**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      ACCOUNTS RECEIVABLE**

At June 30, accounts receivable consist of the following:

	<b>June 30</b>	
	<b>2013</b>	<b>2012</b>
Grants receivable	\$ <b>917,030</b>	\$ 766,101
Accounts receivable - subgrantee	<b>9,085</b>	29,299
Accounts receivable - others	<b>18,750</b>	-
	<b>944,865</b>	795,400
Less allowance for doubtful accounts	<b>(14,765)</b>	(92,000)
	<b>\$ 930,100</b>	\$ 703,400

**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:

	<b>June 30</b>	
	<b>2013</b>	<b>2012</b>
Veterans Representative Payee Project:		
Individual accounts for clients	\$ <b>823,258</b>	\$ 788,476
Client funds	<b>339,563</b>	372,822
Monetary Advisory Program Client Funds	<b>218,657</b>	204,948
Client Rent Account	<b>2,930</b>	2,930
	<b>\$ 1,384,408</b>	\$ 1,369,176

**NOTE 6      NOTES PAYABLE**

As of June 30, notes payable consisted of:

	<b>2013</b>		<b>2012</b>
<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 2013 and 2012, the Center made additional principal payments amounting to \$312,500 and \$62,500, respectively.</p>	<b>\$ 1,525,000</b>	<b>\$</b>	1,837,500
<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 \$44,741 and \$60,737 in 2013 and 2012, respectively.</p>	<b>255,259</b>		299,263
<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>	<b>559,910</b>		585,856
<p>Truck loan payable to Ford Motor Credit, non-interest bearing and requiring monthly payments of \$595, matures in June 2018.</p>	<b>35,090</b>		-
	<b>2,375,259</b>		2,722,619
<p>Less current portion</p>	<b>(94,144)</b>		(85,950)
	<b>\$ 2,281,115</b>	<b>\$</b>	2,636,669

**NOTE 6        NOTES PAYABLE (Continued)**

Annual maturities of long-term debt are as follows:

Year ending June 30		
2014	\$	94,144
2015		95,245
2016		1,621,390
2017		97,582
2018		98,227
Thereafter		413,412
		2,420,000
Less unamortized discount		(44,741)
	\$	2,375,259

Interest payments made on debt obligations during the year ended June 30, 2013 and 2012 amounted to \$123,981 and \$137,857, respectively. As of June 30, 2013 and 2012, the Center has unused line of credit amounting to \$350,000.

**NOTE 7        CONTRACT ADVANCES**

The Center receives advances from Department of Mental Health to cover costs in providing mental health services. As of June 30, 2013, not all advances were utilized. The amount of unused funds amounted to \$421,903 and is shown as contract advances in the statements of financial position.

**NOTE 8        DUE TO LOS ANGELES COUNTY**

In October 2013, the Department of Mental Health of the County of Los Angeles reviewed the Center's Specialty Mental Health Services for the fiscal year 2007-2008. Based on the review, the Center's settlement to the Los Angeles County amounted to \$76,669.

**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, is composed of the following:



**NOTE 9      TEMPORARILY RESTRICTED NET ASSETS (Continued)**

	<b>2013</b>	<b>2012</b>
Restricted to time	\$ 1,331,740	\$ 1,380,737
Venice Chronic Homeless Intervention Project	127,000	-
Capital campaign	125,000	187,500
Homeless Service Center	20,254	195,495
Bread and Roses	-	27,555
Food Pantry	-	125,562
Early Learning Center	-	4,823
Homeless Prevention	-	13,941
	<b>\$ 1,603,994</b>	<b>\$ 1,935,613</b>

**NOTE 10      FUNDRAISING EVENTS - NET**

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

	<b>2013</b>	<b>2012</b>
Gross receipts:		
Dinner dance	\$ 518,425	\$ 455,909
Other	25,358	46,541
	<b>543,783</b>	<b>502,450</b>
Expenses		
Dinner dance	133,620	120,365
Other	264	3,866
	<b>133,884</b>	<b>124,231</b>
	<b>\$ 409,899</b>	<b>\$ 378,219</b>

**NOTE 11      COMMITMENTS AND CONTINGENCIES**

The Center leases office and program spaces, and equipment under various leases. Rental expense for the years ended June 30, 2013 and 2012 related to these leases amounted to \$282,900 and \$222,581, respectively.

Future rental commitments under the lease agreements are as follow:

**NOTE 11      COMMITMENTS AND CONTINGENCIES (Continued)**

<u>Year ending June 30</u>		
2014	\$	261,139
2015		185,185
2016		73,294
2017		<u>1</u>
	\$	<u><u>519,619</u></u>

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      SUBSEQUENT EVENTS**

The Center has evaluated events or transactions that occurred subsequent to the statement of financial position date through October 31, 2013 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, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2013.

**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**  
**October 31, 2013**

