



St. Joseph Center
Audited Financial Statements
As of and for the Years Ended June 30, 2017 and 2016
with Report of Independent Auditors

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Report of Independent Auditors

**Board of Directors
St. Joseph Center**

Report on the Financial Statements

We have audited the accompanying financial statements of St. Joseph Center, which comprise the statements of financial position as of June 30, 2017 and 2016, 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, 2017 and 2016, 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 23, 2017, 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 solely 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 effectiveness of St. Joseph Center's 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.

Vasquez + Company LLP

**Los Angeles, California
October 23, 2017**

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

	June 30	
	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,291,076	\$ 1,665,504
Funds held for others	2,224,144	1,817,251
Grants receivable, net of allowance for doubtful accounts of \$0 in 2017 and \$897 in 2016	2,824,957	2,110,807
Pledges receivable	46,500	580,000
Current portion of deferred rent	33,000	33,000
Board designated endowment fund	501,601	500,849
Prepaid client rental assistance	153,555	415
Prepaid expenses and other current assets	203,451	118,315
Total current assets	7,278,284	6,826,141
Property and equipment, net	7,819,108	7,955,203
Other assets		
Deferred rent, net of current portion	1,122,000	1,155,000
Other assets	145,775	118,331
Total other assets	1,267,775	1,273,331
Total assets	\$ 16,365,167	\$ 16,054,675
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of notes payable	\$ 136,728	\$ 116,748
Accounts payable and accrued expenses	1,359,613	1,103,435
Contract advances	225,378	853,742
Funds held for others	2,224,144	1,817,251
Total current liabilities	3,945,863	3,891,176
Noncurrent liabilities		
Notes payable, net of current portion	352,133	482,085
Total liabilities	4,297,996	4,373,261
Net assets		
Unrestricted	10,247,012	9,232,429
Temporarily restricted	1,820,159	2,448,985
Total net assets	12,067,171	11,681,414
Total liabilities and net assets	\$ 16,365,167	\$ 16,054,675

See notes to financial statements.

**St. Joseph Center
Statements of Activities**

	Years ended June 30	
	2017	2016
Unrestricted net assets		
Revenues, gains and other support		
Government grants and contracts	\$ 10,845,649	\$ 8,130,241
Contributions	3,066,279	3,813,160
In-kind contributions	462,420	433,109
Child care fees	596,634	471,799
Fundraising events, net	509,669	535,995
Other revenues	123,094	69,354
Total revenues, gains and other support	15,603,745	13,453,658
Net assets released from restrictions	1,164,578	678,803
Total unrestricted revenues	16,768,323	14,132,461
Expenses		
Program services	12,284,676	10,073,088
General and administrative	2,947,592	2,033,129
Development	521,472	497,793
Total expenses	15,753,740	12,604,010
Change in unrestricted net assets	1,014,583	1,528,451
Temporarily restricted net assets		
Contributions	535,000	167,694
Income from board designated endowment fund	752	752
Net assets released from restrictions	(1,164,578)	(678,803)
Change in temporarily restricted net assets	(628,826)	(510,357)
Change in net assets	385,757	1,018,094
Net assets at beginning of year	11,681,414	10,663,320
Net assets at end of year	\$ 12,067,171	\$ 11,681,414

See notes to financial statements.

St. Joseph Center
Statement of Functional Expenses
Year ended June 30, 2017

	Chronic Homeless Initiatives	Homeless Service Center	Bread & Roses Café	Housing Services	Senior Services	Monetary Advisory Program	Veterans Rep Payee Program	Family Center & Food Pantry	Culinary Training Program	Early Learning Center	Total Program Services	General and Administrative	Development	Total Expenses
Accounting	\$ 6,569	\$ 4,216	\$ 844	\$ 6,839	\$ 1,199	\$ 2,409	\$ 1,380	\$ 4,629	\$ 970	\$ 2,105	\$ 31,160	\$ 53,776	\$ 1,639	\$ 86,575
Advertising/recruitment	213	522	150	2,535	18	222	-	486	222	-	4,368	21,329	135	25,832
Bank charges	-	8	-	-	-	-	-	-	-	-	8	25,586	123	25,717
Client direct aid expenses	113,208	642,406	49,317	967,508	-	3,245	16	534,269	28,056	12,599	2,350,624	16,007	138	2,366,769
Conferences and meetings	619	3,346	-	521	171	262	-	2,774	9	-	7,702	16,398	418	24,518
Contracted services - subgrants	345,895	475,009	-	165,193	-	4,000	-	87,426	-	-	1,077,523	-	-	1,077,523
Depreciation and amortization	30,055	37,506	18,031	42,205	4,685	19,594	1,857	27,374	7,719	18,156	207,182	71,186	11,228	289,596
Dues and subscriptions	5	7	-	120	102	7,452	129	49	131	5	8,000	9,778	6,674	24,452
General liability/auto insurance	12,732	13,401	1,543	14,500	2,585	6,525	2,811	9,732	2,140	4,303	70,272	42,715	3,994	116,981
Interest expense	-	-	-	-	-	-	-	-	-	-	-	24,741	-	24,741
Jesuit volunteers/interns	9,245	28,692	9,533	22,833	4,430	8,178	-	18,763	6,568	2,981	111,223	-	10	111,233
Meals and entertainment	98	-	-	3,822	10	51	-	539	-	950	5,470	2,380	532	8,382
Miscellaneous	-	-	173	-	-	-	-	-	-	-	173	5,231	20	5,424
Non-capital equipment	15,632	23,361	1,762	29,447	2,091	6,899	2,573	4,595	8,673	3,808	98,841	36,443	1,646	136,930
Office and general supplies	12,521	18,115	12,430	14,421	476	4,032	4,643	7,829	5,408	18,064	97,939	64,720	4,547	167,206
Outside services	82,687	58,408	1,465	58,258	7,971	50,728	1,318	118,171	8,102	23,796	410,904	228,261	14,734	653,899
Payroll taxes and benefits	215,188	181,458	25,457	179,162	29,497	85,165	45,954	152,446	38,565	60,838	1,013,730	279,203	47,305	1,340,238
Postage	509	562	3	930	204	676	30	819	214	459	4,406	6,051	458	10,915
Printing and copying	1,216	687	25	1,744	199	563	303	866	287	50	5,940	5,015	1,308	12,263
Rent-facilities and storage	64,001	58,628	6,715	54,838	9,289	25,060	12,534	43,239	12,641	17,908	304,853	87,495	19,957	412,305
Repairs and maintenance	12,897	31,043	20,365	18,147	2,771	10,273	1,362	14,198	9,815	10,582	131,453	31,199	4,820	167,472
Salaries	1,240,162	1,136,042	130,117	1,062,608	179,989	485,590	242,879	837,838	244,953	347,010	5,907,188	1,695,430	386,707	7,989,325
Sisters' stipends	-	-	-	-	-	-	-	21,000	-	-	21,000	-	-	21,000
Staff development	1,615	2,522	482	2,620	203	439	421	1,494	1,800	543	12,139	105,227	648	118,014
Taxes and licenses	664	1,442	217	773	114	31,885	14	496	275	749	36,629	4,818	206	41,653
Telephone	24,697	20,129	3,081	16,740	1,855	5,177	3,057	8,936	1,188	2,265	87,125	45,635	3,639	136,399
Transportation	32,404	18,080	1,156	22,195	3,593	16,258	4,219	12,559	156	127	110,747	20,578	926	132,251
Unemployment insurance	3,223	2,953	338	2,762	468	1,262	631	2,178	637	902	15,354	4,405	1,005	20,764
Utilities	11,399	11,917	8,388	12,571	2,599	7,658	298	10,054	2,605	5,664	73,153	17,830	4,493	95,476
Workers compensation insurance	12,677	15,270	5,200	10,206	1,521	4,193	2,324	15,130	6,679	6,370	79,570	26,155	4,162	109,887
TOTAL	\$ 2,250,131	\$ 2,785,730	\$ 296,792	\$ 2,713,498	\$ 256,040	\$ 787,796	\$ 328,753	\$ 1,937,889	\$ 387,813	\$ 540,234	\$ 12,284,676	\$ 2,947,592	\$ 521,472	\$ 15,753,740

See notes to financial statements.

St. Joseph Center
Statement of Functional Expenses
Year ended June 30, 2016

	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 and Codetalk	Early Learning Center	Total Program Services	General and Administrative	Development	Total Expenses
Accounting	\$ 8,433	\$ 5,738	\$ 1,272	\$ 4,497	\$ 1,172	\$ 2,857	\$ 1,541	\$ 5,727	\$ 1,234	\$ 2,163	\$ 34,634	\$ 37,319	\$ 1,656	\$ 73,609
Advertising/recruitment	75	-	-	25	-	25	-	75	205	25	430	9,257	-	9,687
Bank charges	131	89	-	-	-	-	12	-	-	23	255	28,212	110	28,577
Client direct aid expenses	88,797	99,107	51,272	540,762	279	3,055	455	491,873	65,608	18,955	1,360,163	4,148	-	1,364,311
Conferences and meetings	2,767	6,991	-	-	-	-	-	-	-	-	9,758	15,752	316	25,826
Contracted services - subgrants	411,443	526,870	-	78,749	-	-	-	64,062	-	-	1,081,124	-	-	1,081,124
Depreciation and amortization	41,380	49,410	16,358	24,938	9,330	21,203	2,040	42,111	15,827	26,951	249,548	49,802	12,956	312,306
Dues and subscriptions	108	78	16	57	15	6,910	20	74	192	28	7,498	13,015	2,634	23,147
General liability/auto insurance	25,678	22,025	3,964	15,836	3,846	8,341	4,782	17,653	3,288	6,863	112,276	36,906	5,515	154,697
Interest expense	3,990	3,159	-	3,814	1,438	3,094	62	5,671	966	2,519	24,713	34,281	1,928	60,922
Jesuit volunteers/interns	696	19,977	870	18,833	-	-	-	1,954	869	-	43,199	-	-	43,199
Meals and entertainment	415	-	-	-	-	-	-	-	-	-	415	2,059	706	3,180
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	30	30
Non-capital equipment	6,382	12,398	5,464	16,151	931	5,774	4,027	5,039	693	6,269	63,128	13,074	1,938	78,140
Office and general supplies	8,758	15,084	10,652	8,756	766	2,343	5,778	4,835	2,498	11,550	71,020	45,084	5,351	121,455
Outside services	114,704	59,179	858	24,013	10,868	19,447	1,541	130,474	8,302	59,485	428,871	131,545	12,565	572,981
Payroll taxes and benefits	212,746	130,832	26,427	115,671	26,464	54,788	39,123	165,262	21,128	52,066	844,507	193,481	48,125	1,086,113
Postage	857	668	-	894	306	899	848	1,216	180	540	6,408	1,915	778	9,101
Printing and copying	1,666	1,327	162	1,064	247	587	126	799	137	273	6,388	4,401	375	11,164
Rent-facilities and storage	61,652	33,796	-	11,675	4,217	8,828	183	16,501	2,823	7,343	147,018	102,223	16,739	265,980
Repairs and maintenance	11,755	14,366	9,238	7,080	2,647	6,428	620	10,637	2,628	5,565	70,964	15,967	3,553	90,484
Salaries	1,196,399	871,462	126,039	701,925	198,076	350,857	204,581	898,315	182,609	259,732	4,989,995	1,102,767	361,892	6,454,654
Sisters' stipends	-	-	-	-	-	-	-	22,656	-	-	22,656	-	-	22,656
Staff development	717	10,627	-	3,166	743	944	355	804	1,846	707	19,909	63,485	1,687	85,081
Taxes and licenses	481	546	396	347	140	29,364	6	519	116	716	32,631	5,168	177	37,976
Telephone	34,431	20,664	2,518	11,040	1,602	4,905	3,922	9,691	916	2,159	91,848	11,261	3,667	106,776
Transportation	37,318	24,110	889	11,387	2,603	10,913	3,996	12,636	60	-	103,912	19,425	436	123,773
Unemployment insurance	17,499	12,784	1,690	14,326	2,539	5,679	3,864	12,563	3,421	4,962	79,327	11,334	4,390	95,051
Utilities	15,093	14,609	8,929	8,397	3,082	6,553	134	12,116	2,124	5,385	76,422	13,456	4,124	94,002
Workers compensation insurance	19,755	15,407	6,132	10,066	2,799	4,654	3,277	16,413	8,350	7,218	94,071	67,792	6,145	168,008
TOTAL	\$2,324,126	\$ 1,971,303	\$ 273,146	\$1,633,469	\$ 274,110	\$ 558,448	\$ 281,293	\$ 1,949,676	\$ 326,020	\$ 481,497	\$ 10,073,088	\$ 2,033,129	\$ 497,793	\$12,604,010

See notes to financial statements.

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

	Years ended June 30	
	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 385,757	\$ 1,018,094
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	289,596	312,306
Gain on forgiveness of note payable	(160,000)	(60,000)
Contributed rent	33,000	33,000
Imputed interest on noninterest bearing note payable	5,671	8,303
Interest on endowment fund	(752)	(752)
Changes in operating assets and liabilities:		
Funds held for others	(406,893)	(321,324)
Grants receivable	(714,150)	(905,280)
Pledges receivable	533,500	10,000
Prepaid expenses and other current assets	(238,276)	(22,734)
Other assets	(27,444)	(61,481)
Accounts payable and accrued expenses	256,178	423,091
Contract advances	(628,364)	414,915
Funds held for others	406,893	321,324
Net cash provided by (used in) operating activities	(265,284)	1,169,462
Cash flows from investing activities		
Purchase of property and equipment	(153,501)	(49,896)
Cash used in investing activities	(153,501)	(49,896)
Cash from financing activities		
Borrowings on (payment of) notes payable	44,357	(937,085)
Cash provided by (used in) financing activities	44,357	(937,085)
Net change in cash and cash equivalents	(374,428)	182,481
Cash and cash equivalents at beginning of year	1,665,504	1,483,023
Cash and cash equivalents at end of year	\$ 1,291,076	\$ 1,665,504
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	\$ 21,026	\$ 52,619

See notes to financial statements.

NOTE 1 NATURE OF BUSINESS

The mission of St. Joseph Center (the Center) 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 Los Angeles County. The Center assists people without regard for religious affiliation or lack thereof 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 more than 7,000 individuals annually through comprehensive case management, mental health, and integrated social service programs. Services are provided at multiple sites in Los Angeles County, with most efforts centered on the Westside and in South Los Angeles.

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

NOTE 2 DESCRIPTIONS OF PROGRAM SERVICES

St. Joseph Center provides clients with concentrated and coordinated access to a range of services according to the nature of their needs. Current programs include:

Outreach and Engagement

- Bread & Roses Café serves hot, nutritious meals to homeless men, women and children in a welcoming, restaurant-style atmosphere that fosters dignity and respect.
- Broadway Manchester Service Center is a community-based hub for the Center's services in South Los Angeles, including the Center's Vehicular Homeless Outreach Program, Rapid Rehousing, Housing for Health, and more.
- Countywide Benefits Entitlement Services Team (CBEST) provides targeted advocacy to assist homeless men and women in obtaining sustainable income through such programs as SSI, SSDI, CAPI (DPSS), and the VA that can help them move from homelessness to independent living.
- Coordinated Entry System is the region-wide collaborative led by the Center that coordinates outreach and housing placement efforts for homeless individuals on the Westside. The Center is also an active partner in the CES system in South Los Angeles.
- Homeless Service Center serves as an access point for the Coordinated Entry System and provides case management aimed at helping homeless individuals obtain permanent housing; it also offers referrals for critical services such as substance abuse treatment and offers emergency services such as shelter placement assistance and showers.
- Street Outreach/Housing Navigation Programs include the Vehicular Homeless Outreach Program in South Los Angeles along with Outreach/Housing Navigation teams focused on Culver City, Venice, and other Westside communities. These teams provide outreach and housing placement services for vehicular and street homeless individuals/families.

NOTE 2 DESCRIPTIONS OF PROGRAM SERVICES (CONTINUED)

- Venice C³ (C³) is a partnership between the County of Los Angeles, the City of Los Angeles, and community organizations led by the Center. C³ is designed to systematically engage people living on the streets of Venice and help them regain health and housing stability through direct service and referrals to critical resources.

Housing

- Chronic Homeless Programs focused on Venice and Santa Monica help some of these communities' most vulnerable, chronically homeless individuals obtain and maintain permanent supportive housing.
- Integrated Mobile Health Team provides mental health, physical health and substance abuse services to chronically homeless individuals through a multi-disciplinary staff working as one team to help clients obtain and maintain permanent supportive housing.
- Homeless Family Solution System provides short-term rental assistance, resource referrals, and case management to homeless and at-risk families with children in an effort to support housing stability.
- Housing for Health helps high utilizers of the County of Los Angeles public health facilities in South Los Angeles and on the Westside obtain and maintain permanent supportive housing in both individually-subsidized apartments and in affordable housing developments.
- Housing Services assists people in securing and maintaining voucher-based permanent housing and provides case management and other direct client services that promote stability and self-sufficiency for households in individually subsidized apartments and at various affordable housing developments around Los Angeles.
- Rapid Rehousing provides move-in assistance and short-term rental subsidies to homeless households on the Westside and in South Los Angeles capable of quickly regaining and maintaining stability, including individuals, youth, and families.

Mental Health

- *Ánimo* provides traditional and non-traditional mental health services to underserved Latino families and individuals on the Westside.
- Field Capable Clinical Services delivers mental health services to support housing stability for formerly chronically homeless individuals.
- Monetary Advisory Program provides case management and money management to individuals living with mental illness.
- Santa Monica Youth Resource Team works with specifically identified youth, ages 16-24, to help them and their families address issues ranging from basic needs to housing, mental health and educational/vocational services.
- Senior Services provides case management and mental health support aimed at improving low-income and homeless seniors' housing stability, overall functioning, and quality of life.

NOTE 2 DESCRIPTIONS OF PROGRAM SERVICES (CONTINUED)

Education and Vocational Training

- Codetalk trains low-income women in computer coding skills to help them become employed.
- Culinary Training Program educates low-income adults in food service and life skills to help them obtain jobs.
- Early Learning Center provides children 18 months to 5 years old the opportunity to learn, grow, and become self-sufficient, independent learners in a nurturing and socioeconomically diverse environment.
- Food Pantry provides low-income households with supplemental groceries and workshops designed to increase wellbeing and support progress toward self-sufficiency.
- The Veteran's Representative Payee Program provides at-risk veterans with case management, money management, financial literacy classes, and help finding and maintaining housing.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Method of Accounting

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

Income Tax Status

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

Generally accepted accounting principles prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position.

As of and for the years ended June 30, 2017 and 2016, 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 2014 and subsequent years (for federal) and 2013 and subsequent years (for state).

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Accounts Receivable

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

Property and Equipment

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

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

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

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

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

Contract Advances

Contract advances are recognized as liability upon receipt of these advances. Contract advances are reduced as these are utilized by the Center and contracted services are performed.

Government Grants and Contracts

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants, Contributions and Pledges

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

In-Kind Contributions

The value of significant contributed goods are reflected as contributions in the accompanying financial statements if an objective basis is available to measure the fair value of such goods at the date of donation. In-kind contributions, including volunteer services and other non-cash contributions are reflected as contributions and expenses at their estimated fair values when received.

Functional Allocation of Expenses

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

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 useful lives of depreciable assets and imputed interest rate on non-interest bearing loan. Actual results could differ from those estimates.

Concentration of Credit Risk

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

Custodial Credit Risk

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

Financial instruments that potentially subject the Center to credit risk are cash deposits with banks and other financial institutions that are in excess of the federally insured limit of \$250,000. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. At June 30, 2017, the Center had bank accounts that exceeded the Federal Deposit Insurance Corporation limit totaling \$1,468,631.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

NOTE 4 FUNDS HELD FOR OTHERS

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

	2017	2016
Veterans Representative Payee Project:		
Individual accounts for clients	\$ 949,848	\$ 973,266
Client funds	1,135,672	712,379
Monetary Advisory Program Client Funds	138,624	131,606
	\$ 2,224,144	\$ 1,817,251

NOTE 5 DEFERRED RENT

Deferred rent represents a promise that the Center received in 2002 for the lease of the land on which the Center's headquarter office was built, at an annual rental cost of \$1 for 50 years. Accordingly, the Center recorded the below-market lease as deferred rent asset and as a temporarily restricted contribution, restricted as to time. Deferred rent is recorded at the estimated net present value of the rent for the Center covered by a lease agreement. The deferred rent is amortized over 50 years, the life of the lease, and the annual amortization of \$33,000 reduces the temporarily restricted net assets. As of June 30, 2017 and 2016, the Center's deferred rent, net of current portion of \$33,000 for both years, amounted to \$1,122,000 and \$1,155,000, respectively.

NOTE 6 PROPERTY AND EQUIPMENT

At June 30, property and equipment consist of the following:

	2017	2016
Land	\$ 165,447	\$ 165,447
Building	9,415,889	9,385,746
Furniture and equipment	1,728,106	1,610,347
Leasehold improvements	230,742	225,143
Vehicles	264,995	264,995
	11,805,179	11,651,678
Less accumulated depreciation and amortization	(3,986,071)	(3,696,475)
	\$ 7,819,108	\$ 7,955,203

Depreciation and amortization expense was \$289,596 and \$312,306 for the years ended June 30, 2017 and 2016, respectively.

NOTE 7 NOTES PAYABLE

At June 30, notes payable consisted of:

	2017	2016
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 \$7,423 and \$12,491 in 2017 and 2016, respectively. Matures June 2018.	\$ 52,577	\$ 107,559
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.	350,660	475,547
Truck loan payable to Ford Motor Credit, non-interest bearing and requiring monthly payments of \$595, matures in June 2018.	8,546	15,727
Furniture loan payable to Horizon Keystone Financial, non-interest bearing and requiring monthly payments of \$1,981, matures in August 2021.	77,078	-
	488,861	598,833
Less current portion	(136,728)	(116,748)
	\$ 352,133	\$ 482,085

Interest payments made on debt obligations during the years ended June 30, 2017 and 2016 amounted to \$21,026 and \$52,619, respectively.

NOTE 7 NOTES PAYABLE (CONTINUED)

At June 30, 2017, annual maturities of long-term debt are as follows:

Year ending June 30	Amount
2018	\$ 136,728
2019	68,182
2020	68,182
2021	68,180
2022	48,912
2023 and thereafter	106,100
	496,284
Less unamortized discount	(7,423)
	\$ 488,861

NOTE 8 LINE OF CREDIT

The Center has a line of credit of \$350,000 with a financial institution that expires November 12, 2017, at the financial institution's prime rate + 1%, adjusted for any rate limitations. The Center had no borrowings outstanding on the line of credit as of June 30, 2017 and 2016.

NOTE 9 CONTRACT ADVANCES

The Center has been awarded grants from the County of Los Angeles - Department of Mental Health and other government agencies to provide mental health services and other services. As of June 30, 2017 and 2016, not all advances were utilized. At June 30, 2017 and 2016, the unused funds amounted to \$225,378 and \$853,742, respectively, and are shown as contract advances in the statements of financial position.

NOTE 10 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. At June 30, temporarily restricted net assets consisted of the following:

	2017	2016
Deferred rent	\$ 1,155,000	\$ 1,188,000
Restricted as to purpose	656,787	1,110,722
Restricted as to time	6,771	149,414
Income from board designated endowment fund	1,601	849
	\$ 1,820,159	\$ 2,448,985

NOTE 11 FUNDRAISING EVENTS - NET

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

	2017	2016
Gross receipts:		
Dinner dance	\$ 607,939	\$ 631,614
Other	39,190	42,505
	647,129	674,119
Expenses		
Dinner dance	130,521	134,604
Other	6,939	3,520
	137,460	138,124
	\$ 509,669	\$ 535,995

NOTE 12 COMMITMENTS AND CONTINGENCIES

Commitments

The Center leases office and program spaces, and parking spaces under various leases. Rental expense for the years ended June 30, 2017 and 2016 related to these leases amounted to \$412,305 and \$265,980, respectively.

At June 30, 2017, future commitments under the lease agreements are as follows:

Year ending June 30	Amount
2018	\$ 456,330
2019	399,627
2020	267,102
2021	258,185
2022	182,873
Thereafter	30,658
	\$ 1,594,775

Contingencies

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

The Center is subject to regulation by governmental authorities, including federal, state, and local jurisdictions. The Center believes that it is currently in compliance with applicable laws, regulations, and rules.

NOTE 13 SUBSEQUENT EVENTS

The Center has evaluated events or transactions that occurred subsequent to the statement of financial position date through October 23, 2017, 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, a California not-for-profit corporation, which comprise the statement of financial position as of June 30, 2017, 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 23, 2017.

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.

Vasquez + Company LLP

**Los Angeles, California
October 23, 2017**



www.vasquezcpa.com

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