



Audited Financial Statements
St. Joseph Center
Years ended June 30, 2014 and 2013
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, 2014 and 2013, 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, 2014 and 2013, 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 7, 2014, 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.

Vasquez + Company LLP

**Los Angeles, California
October 7, 2014**

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

		June 30	
		2014	2013
ASSETS			
Current assets			
Cash and cash equivalents	\$	1,424,811	\$ 1,344,968
Funds held for others		1,442,203	1,384,409
Accounts receivable, net		1,168,379	911,350
Pledges receivable		45,797	141,547
Current portion of long-term receivable		33,000	33,000
Prepaid expenses and other current assets		67,327	30,711
Total current assets		4,181,517	3,845,985
Property and equipment			
Land		165,447	165,447
Building		9,266,956	9,239,437
Furniture and equipment		1,602,775	1,591,861
Leasehold improvements		225,143	225,143
Vehicles		236,646	233,159
		11,496,967	11,455,047
Less accumulated depreciation and amortization		(2,959,910)	(2,541,139)
Property and equipment, net		8,537,057	8,913,908
Other assets			
Long-term receivable, net of current portion		1,221,000	1,254,000
Security deposit		16,900	16,900
Total other assets		1,237,900	1,270,900
Total assets	\$	13,956,474	\$ 14,030,793
LIABILITIES AND NET ASSETS			
Current liabilities			
Current portion of notes payable	\$	195,243	\$ 194,144
Accounts payable and accrued expenses		584,420	536,160
Contract advances		366,004	486,030
Due to County of Los Angeles		-	76,669
Funds held for others		1,442,203	1,384,409
Total current liabilities		2,587,870	2,677,412
Noncurrent liabilities			
Notes payable, net of current portion		1,940,005	2,181,115
Total liabilities		4,527,875	4,858,527
Net assets			
Unrestricted		8,039,572	7,568,272
Temporary restricted		1,389,027	1,603,994
Total net assets		9,428,599	9,172,266
Total liabilities and net assets	\$	13,956,474	\$ 14,030,793

See notes to financial statements.

**St. Joseph Center
Statements of Activities**

	Years ended June 30	
	2014	2013
Changes in unrestricted assets		
Revenues, gains and other support		
Government grants and contracts	\$ 7,226,879	\$ 5,249,090
Contributions	1,916,311	2,025,317
In-kind contributions	450,281	589,901
Child care fees	489,269	416,292
Fundraising events - net	504,671	409,899
Thrift store sales	-	114,373
Other revenues	83,397	46,368
Total revenues, gains and other support	10,670,808	8,851,240
Net assets released from restrictions	255,942	677,142
Total unrestricted revenues	10,926,750	9,528,382
Expenses		
Program services	8,690,884	7,522,037
General and administrative	1,356,407	1,140,749
Development	408,159	352,596
Total expenses	10,455,450	9,015,382
Change in unrestricted net assets	471,300	513,000
Temporarily restricted net assets		
Contributions	40,975	345,523
Net assets released from restrictions	(255,942)	(677,142)
Change in temporarily restricted net assets	(214,967)	(331,619)
Change in net assets	256,333	181,381
Net assets at beginning of year	9,172,266	8,990,885
Net assets at end of year	\$ 9,428,599	\$ 9,172,266

See notes to financial statements.

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

	Chronic Homeless Initiatives	Homeless Service Center	Bread & Roses Café	Housing Services	Senior Services	Monetary Advisory Program	Veterans Rep Payee Program	Family Center & Food Pantry	Culinary Training Program	Early Learning Center	Total Program Services	General and Administrative	Development	Total Expenses
Accounting	\$ 8,341	\$ 1,716	\$ 844	\$ 2,938	\$ 2,346	\$ 5,050	\$ 1,830	\$ 7,979	\$ 698	\$ 3,191	\$ 34,934	\$ 24,315	\$ 2,867	\$ 62,116
Advertising/recruitment	293	121	-	518	1,066	50	75	1,831	25	75	4,054	2,413	-	6,466
Bank charges	160	80	19	54	28	74	45	136	13	49	658	25,534	2,051	28,243
Client direct aid expenses	122,298	252,105	42,418	1,075,999	350	1,612	-	479,696	13,071	8,545	1,996,094	372	-	1,996,466
Conferences and meetings	3,091	-	-	2,974	-	278	714	123	-	-	7,180	7,176	25	14,381
Contracted services - subgrants	130,444	91,037	-	194,676	-	-	-	74,269	-	-	490,426	-	-	490,426
Depreciation and amortization	39,603	36,895	14,325	28,899	17,458	32,288	2,531	79,793	39,589	44,863	336,245	62,138	20,386	418,770
Dues and subscriptions	215	46	25	264	48	3,812	53	227	17	63	4,768	5,836	9,250	19,855
General liability/auto insurance	25,787	7,473	2,975	7,391	5,467	12,547	6,330	19,832	1,981	7,572	97,356	42,300	6,876	146,532
Interest expense	6,737	2,164	-	6,748	4,602	8,807	327	17,533	886	6,513	54,315	48,589	5,733	108,637
Jesuit volunteers/interns	2,667	20,118	3,288	18,833	10,121	-	-	6,669	3,288	-	64,983	39	-	65,023
Meals and entertainment	971	68	-	91	178	444	165	304	-	109	2,330	8,329	94	10,753
Miscellaneous	54	50	-	-	-	25	-	275	8	50	462	1,834	640	2,937
Non-capital equipment	8,439	2,492	5,948	1,294	3,325	6,694	3,434	8,377	558	5,599	46,159	4,865	1,569	52,594
Office and general supplies	11,120	4,045	9,307	2,814	1,712	4,103	6,265	6,911	2,466	16,441	65,184	29,815	5,035	100,034
Outside services	197,636	35,812	1,251	18,347	26,437	59,936	3,114	139,397	3,185	75,698	560,814	63,110	25,105	649,028
Payroll taxes and benefits	156,223	62,355	16,356	59,281	32,862	70,294	45,190	125,774	11,218	44,333	623,886	130,943	30,873	785,702
Postage	563	209	-	544	371	820	43	1,441	151	526	4,668	3,471	687	8,826
Printing and copying	623	228	3	131	281	304	584	732	2	43	2,932	455	4,857	8,244
Rent-facilities and storage	119,353	36,626	-	3,362	2,303	14,382	164	8,616	435	3,205	188,448	13,522	2,817	204,786
Repairs and maintenance	10,039	3,909	8,836	4,134	2,453	5,338	1,380	9,248	1,369	5,821	52,527	12,508	3,004	68,039
Salaries	913,805	360,352	82,037	348,395	188,872	475,351	217,293	782,189	63,568	225,364	3,657,225	705,740	268,210	4,631,175
Sisters' stipends	-	-	-	-	-	5,760	-	17,955	-	-	23,715	50,042	-	73,757
Staff development	1,853	140	-	40	1,196	222	69	441	-	-	3,961	31,241	1,248	36,449
Taxes and licenses	4,135	257	381	457	478	23,031	2,242	1,638	78	1,879	34,577	7,445	395	42,417
Telephone	33,861	6,120	2,094	5,169	2,388	8,337	2,630	11,732	383	2,152	74,869	13,702	3,065	91,636
Transportation	39,628	1,566	945	7,070	1,160	4,429	1,280	10,513	283	-	66,874	16,718	408	84,000
Unemployment insurance	12,780	6,888	1,541	4,271	3,437	6,365	4,294	13,514	1,291	3,961	58,343	9,752	3,986	72,081
Utilities	13,397	5,528	8,863	5,914	4,022	8,620	289	15,261	773	5,699	68,365	12,136	5,025	85,526
Workers compensation insurance	12,776	5,883	4,464	5,101	2,443	6,840	3,292	13,011	4,659	6,063	64,532	22,067	3,952	90,550
TOTAL	\$ 1,876,891	\$ 944,282	\$ 205,920	\$ 1,805,711	\$ 315,407	\$ 765,814	\$ 303,635	\$ 1,855,415	\$ 149,995	\$ 467,815	\$ 8,690,884	\$ 1,356,407	\$ 408,159	\$ 10,455,450

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
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
Advertising/recruitment	-	-	-	-	-	-	-	-	-	-	-	-	1,436	-	1,436
Bank charges	-	-	68	-	-	-	-	-	-	-	3,566	3,634	28,739	3,270	35,643
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
Conferences and meetings	4,565	-	-	175	-	852	85	884	-	-	-	6,561	3,748	-	10,309
Contracted services - subgrants	146,573	133,024	-	40,574	-	2,327	-	31,484	-	-	-	353,982	-	-	353,982
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
Dues and subscriptions	19	274	-	57	26	2,580	-	295	29	104	425	3,809	5,318	5,382	14,509
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
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
Jesuit volunteers/interns	3,588	27,554	4,295	22,173	-	-	-	5,489	3,874	-	-	66,973	403	-	67,376
Meals and entertainment	820	957	-	-	70	221	117	416	-	847	30	3,478	13,695	29	17,202
Miscellaneous	174	-	-	50	-	437	100	159	52	25	33,012	34,009	2,302	190	36,501
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
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
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
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
Postage	375	146	65	297	402	943	180	1,617	106	511	6	4,648	5,967	668	11,283
Printing and copying	531	313	70	308	338	1,862	99	501	94	265	-	4,381	400	8,067	12,848
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
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
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
Sisters' stipends	-	-	-	-	-	7,753	-	18,375	-	-	-	26,128	46,708	-	72,836
Staff development	5,778	1,901	429	384	6,496	1,902	969	5,156	363	2,375	430	26,183	24,287	906	51,376
Taxes and licenses	218	99	477	123	2,011	17,299	1	6,643	107	1,045	-	28,023	4,068	290	32,381
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
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
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
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
TOTAL	\$ 1,918,463	\$ 1,011,861	\$ 200,639	\$ 364,205	\$ 288,636	\$ 737,587	\$ 298,763	\$ 1,791,383	\$ 140,384	\$ 436,060	\$ 334,056	\$ 7,522,037	\$ 1,140,749	\$ 352,596	\$ 9,015,382

See notes to financial statements.

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

	Years ended June 30	
	2014	2013
Cash flows from operating activities		
Change in net assets	\$ 256,333	\$ 181,381
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	418,770	410,685
Imputed interest on noninterest bearing note payable	13,189	15,999
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	(57,794)	(15,232)
Accounts receivable	(257,029)	(226,700)
Pledges receivable	95,750	62,500
Prepaid expenses and other current assets	(36,616)	13,180
Security deposit	-	13,950
Long-term receivable	33,000	57,561
Accounts payable and accrued expenses	48,260	15,588
Contract advances	(120,026)	486,030
Due to County of Los Angeles	(76,669)	76,669
Funds held for others	57,794	15,232
Net cash provided by operating activities	314,962	1,079,953
Cash flows from investing activities		
Purchase of property and equipment	(41,919)	(67,280)
Cash used in investing activities	(41,919)	(67,280)
Cash from financing activities		
Proceeds from notes payable	3,488	35,684
Payment of notes payable	(196,688)	(339,043)
Net cash used in financing activities	(193,200)	(303,359)
Net change in cash and cash equivalents	79,843	709,314
Cash and cash equivalents at beginning of year	1,344,968	635,654
Cash and cash equivalents at end of year	\$ 1,424,811	\$ 1,344,968
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	\$ 108,637	\$ 123,981

See notes to financial statements.

NOTE 1 NATURE OF BUSINESS

St. Joseph Center's (the Center) mission is to provide working poor families, as well as homeless men, women, and children of all ages, with the inner resources and tools to become productive, stable and self-supporting members of the community. Since 1976, 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 2,000 homeless individuals were served here in 2013-14.

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

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

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

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

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

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

NOTE 2 DESCRIPTIONS OF PROGRAM SERVICES (Continued)

Prevention and Education Services:

Food Pantry - provides low-income households with supplemental groceries, nutrition education, and workshops designed to increase wellbeing and support progress toward self-sufficiency. In fiscal year 2013-14, the Food Pantry distributed enough food for approximately 1,000 households and prepared more than 160,000 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, 2014 and 2013.

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, 2014 and 2013, 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 2011 and subsequent years (for federal) and 2010 and subsequent years (for state).

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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 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.

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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions

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

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. The thrift store was closed in January 2013.

Use of Estimates

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

Financial instruments that potentially subject the Center to credit risk are cash deposits with banks and other financial institutions that are in excess of the federally insured limit of \$250,000. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. At June 30, 2014, the Center had bank accounts that exceeded the Federal Deposit Insurance Corporation limit totaling \$635,764.

Reclassification

Certain amounts in the 2013 financial statements have been reclassified to conform with the 2014 presentation.

NOTE 4 FUNDS HELD FOR OTHERS

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

	June 30	
	2014	2013
Veterans Representative Payee Project:		
Individual accounts for clients	\$ 904,937	\$ 823,258
Client funds	295,824	339,563
Monetary Advisory Program Client Funds	241,442	218,657
Client Rent Account	-	2,931
	\$ 1,442,203	\$ 1,384,409

NOTE 5 ACCOUNTS RECEIVABLE, NET

At June 30, accounts receivable consisted of the following:

	June 30	
	2014	2013
Grants receivable	\$ 1,174,104	\$ 917,030
Accounts receivable - subgrantee	-	9,085
	1,174,104	926,115
Less allowance for doubtful accounts	(5,725)	(14,765)
	\$ 1,168,379	\$ 911,350

NOTE 6 LONG-TERM RECEIVABLE

Long-term receivable represents a promise that the Center received in 2002 for the lease of the land on which the Center's headquarter office was built on, at an annual rental cost of \$1 for 50 years. Because the annual rent cost is significantly below the fair market value, a contribution was recorded in the year the promise was received, and the estimated fair market value of the land lease for 50 years was recorded as a long-term receivable. The long-term receivable is amortized over 50 years, the life of the lease, and the annual amortization reduces the temporarily restricted net assets. As of June 30, 2014 and 2013, the Center's long-term receivable, net of current portion of \$33,000 for both years, amounted to \$1,221,000 and \$1,254,000.

NOTE 7 NOTES PAYABLE

As of June 30, notes payable consisted of:

	June 30	
	2014	2013
<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 2014 and 2013, the Center made additional principal payments amounting to \$162,500 and \$312,500, respectively.</p>	\$ 1,362,500	\$ 1,525,000
<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 \$31,551 and \$44,740 in 2014 and 2013, respectively.</p>	208,449	255,260
<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>	532,904	559,910
<p>Truck loan payable to Ford Motor Credit, non-interest bearing and requiring monthly payments of \$595, matures in June 2018.</p>	31,395	35,089
	2,135,248	2,375,259
<p>Less current portion</p>	(195,243)	(194,144)
	\$ 1,940,005	\$ 2,181,115

Interest payments made on debt obligations during the year ended June 30, 2014 and 2013 amounted to \$108,637 and \$123,981, respectively.

As of June 30, 2014 and 2013, the Center has unused line of credit amounting to \$350,000.

NOTE 7 NOTES PAYABLE (Continued)

At June 30, 2014, annual maturities of long-term debt are as follows:

Year ending June 30		
2015	\$	195,243
2016		1,358,888
2017		97,580
2018		98,820
2019		35,822
2020 and thereafter		380,446
		2,166,799
Less unamortized discount		(31,551)
	\$	2,135,248

NOTE 8 CONTRACT ADVANCES

The Center receives advances from Department of Mental Health to cover costs in providing mental health services. As of June 30, 2014 and 2013, not all advances were utilized. At June 30, 2014 and 2013, the amount of unused funds amounted to \$366,004 and \$486,030, respectively, and are shown as contract advances in the statements of financial position.

NOTE 9 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. This amount was recorded as a liability as of June 30, 2013, and paid subsequently during the year ended June 30, 2014.

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. Temporarily restricted net assets at June 30, consisted of the following:

	June 30	
	2014	2013
Long-term receivable	\$ 1,254,000	\$ 1,287,000
Restricted as to time	72,527	44,740
Capital campaign	62,500	125,000
Venice Chronic Homeless Intervention Project	-	127,000
Homeless Service Center	-	20,254
	\$ 1,389,027	\$ 1,603,994

NOTE 11 FUNDRAISING EVENTS - NET

Net revenues for fundraising events for the years ended June 30, consisted of the following:

	Years ended June 30	
	2014	2013
Gross receipts:		
Dinner dance	\$ 546,527	\$ 518,425
Other	83,391	25,358
	629,918	543,783
Expenses		
Dinner dance	118,696	133,620
Other	6,551	264
	125,247	133,884
	\$ 504,671	\$ 409,899

NOTE 12 COMMITMENTS AND CONTINGENCIES

Commitments

The Center leases office and program spaces, and equipment under various leases. Rental expense for the years ended June 30, 2014 and 2013 related to these leases amounted to \$198,050 and \$252,178, respectively.

At June 30, 2014, future commitments under the lease agreements are as follow:

Year ending June 30	Land and Parking lot	Equipment	Total
2015	\$ 148,357	\$ 16,021	\$ 164,378
2016	73,294	4,512	77,806
2017	1	4,512	4,513
2018	1	4,512	4,513
2019	1	2,250	2,251
2020 and thereafter	32	-	32
	\$ 221,686	\$ 31,807	\$ 253,493

Contingencies

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

NOTE 12 SUBSEQUENT EVENTS

The Center has evaluated events or transactions that occurred subsequent to the statement of financial position date through October 7, 2014, 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, 2014, 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 7, 2014.

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 or significant deficiencies. However, material weaknesses or significant deficiencies 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 7, 2014**



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801 South Grand Avenue, Suite 400 • Los Angeles, California 90017-4646 • Ph. (213) 873-1700 • Fax (213) 873-1777