St. Joseph Center
Audited Financial Statements
As of and for the Years Ended June 30, 2016 and 2015
with Report of Independent Auditors

An independently owned member
RSM US Alliance
RSM

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

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Certified Public Accountants and Business Consultants

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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, 2016 and 2015, 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, 2016 and 2015, 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 25, 2016, 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 25, 2016

	June 30	
	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	**$ 1,665,504**	$ 1,483,023
Funds held for others	**1,817,251**	1,495,927
Grants receivable, net of allowance for doubtful accounts of $847 in 2016 and 2015	**2,110,807**	1,205,527
Pledges receivable	**580,000**	590,000
Current portion of deferred rent	**33,000**	33,000
Board designated endowment fund	**500,849**	500,097
Prepaid expenses and other current assets	**118,730**	95,996
Total current assets	**6,826,141**	5,403,570
Property and equipment	**7,955,203**	8,217,613
Other assets		
Deferred rent, net of current portion	**1,155,000**	1,188,000
Other assets	**118,331**	56,850
Total other assets	**1,273,331**	1,244,850
Total assets	**$ 16,054,675**	$ 14,866,033
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of notes payable	**$ -**	$ 271,388
Accounts payable and accrued expenses	**1,103,435**	680,344
Contract advances	**853,742**	438,827
Funds held for others	**1,817,251**	1,495,927
Total current liabilities	**3,774,428**	2,886,486
Noncurrent liabilities		
Notes payable, net of current portion	**598,833**	1,316,227
Total liabilities	**4,373,261**	4,202,713
Net assets		
Unrestricted	**9,232,429**	7,703,978
Temporarily restricted	**2,448,985**	2,959,342
Total net assets	**11,681,414**	10,663,320
Total liabilities and net assets	**$ 16,054,675**	$ 14,866,033

See notes to financial statements.

	Years ended June 30	
	2016	2015
Unrestricted net assets		
Revenues, gains and other support		
Government grants and contracts	**$ 8,130,241**	$ 7,894,815
Contributions	**3,813,160**	1,415,698
In-kind contributions	**433,109**	524,314
Child care fees	**471,799**	492,839
Fundraising events - net	**535,995**	463,395
Other revenues	**69,354**	14,664
Total revenues, gains and other support	**13,453,658**	10,805,725
Net assets released from restrictions	**678,803**	853,184
Total unrestricted revenues	**14,132,461**	11,658,909
Expenses		
Program services	**10,073,088**	9,522,213
General and administrative	**2,033,129**	1,663,765
Development	**497,793**	426,789
Total expenses	**12,604,010**	11,612,767
Change in unrestricted net assets	**1,528,451**	46,142
Temporarily restricted net assets		
Contributions	**167,694**	2,423,402
Income from board designated endowment fund	**752**	97
Net assets released from restrictions	**(678,803)**	(853,184)
Change in temporarily restricted net assets	**(510,357)**	1,570,315
Change in net assets	**1,018,094**	1,616,457
Net assets at beginning of year	**10,663,320**	9,046,863
Net assets at end of year	**$ 11,681,414**	$ 10,663,320

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.

	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	Adopt-A-Family	Total Program Services	General and Administrative	Developme nt	Total Expenses
Accounting	$ 7,316	$ 2,955	$ 728	$ 3,313	$ 1,552	$ 2,223	$ 1,476	$ 5,669	$ 485	$ 1,884	$ -	$ 27,601	$ 44,150	$ 1,565	$ 73,316
Advertising/recruitment	350	225	-	50	1,109	175	25	1,338	250	75	-	3,597	7,835	574	12,006
Bank charges	31	65	95	178	-	-	-	-	-	150	-	519	25,995	120	26,634
Client direct aid expenses	74,672	140,169	48,103	950,889	5,650	2,077	850	498,012	40,577	8,858	19,246	1,789,103	11,214	-	1,800,317
Conferences and meetings	4,242	306	-	2,509	-	-	-	75	-	-	-	7,132	4,254	-	11,386
Contracted services - subgrants	386,034	137,816	-	57,511	-	-	-	78,015	-	-	-	659,376	-	-	659,376
Depreciation and amortization	53,437	45,607	15,307	29,686	14,218	35,397	2,237	60,976	39,450	46,274	-	342,589	62,461	19,208	424,258
Dues and subscriptions	-	-	-	150	-	6,717	-	40	-	-	-	6,907	6,559	5,814	19,280
General liability/auto insurance	27,689	10,975	2,740	14,037	5,924	8,314	5,557	21,246	1,822	7,096	-	105,400	40,882	5,891	152,173
Interest expense	7,308	10,209	-	-	3,817	5,723	169	13,254	787	4,723	-	45,990	42,563	3,923	92,476
Jesuit volunteers/interns	2,714	24,190	3,327	22,167	9,384	-	-	6,912	3,327	-	-	72,021	1,800	-	73,821
Meals and entertainment	94	1,203	-	144	-	-	39	35	13	-	-	1,528	4,128	390	6,046
Miscellaneous	1	-	-	-	-	-	-	250	218	-	-	469	549	-	1,018
Non-capital equipment	10,467	10,385	2,258	8,530	2,663	7,416	2,956	6,054	1,731	3,738	-	56,198	11,253	1,101	68,552
Office and general supplies	12,261	4,381	10,136	9,594	1,400	2,670	4,071	7,759	1,909	11,114	-	65,295	25,560	4,620	95,475
Outside services	123,427	56,367	158	25,374	30,260	19,749	2,264	144,307	3,339	57,327	-	462,572	99,822	13,420	575,814
Payroll taxes and benefits	202,771	86,062	18,334	81,933	23,319	71,203	46,539	148,111	13,703	55,140	-	747,115	162,502	39,293	948,910
Postage	1,026	484	23	980	495	898	1,144	1,751	115	608	-	7,524	1,925	725	10,174
Printing and copying	1,284	737	50	466	430	592	3,626	1,264	87	179	-	8,715	3,838	241	12,794
Rent-facilities and storage	128,027	2,291	-	50,837	6,148	5,063	171	13,525	753	4,027	-	210,842	17,570	3,341	231,753
Repairs and maintenance	12,556	7,936	13,578	6,861	3,158	4,674	1,615	12,827	1,672	5,126	-	70,003	13,071	3,215	86,289
Salaries	1,232,989	489,895	88,567	495,611	172,564	430,085	209,071	875,114	94,704	263,374	-	4,351,974	885,751	304,595	5,542,320
Sisters' stipends	-	-	-	-	-	-	-	21,770	-	-	-	21,770	-	-	21,770
Staff development	4,419	2,609	275	1,121	2,586	894	775	4,912	149	1,180	-	18,920	74,810	1,939	95,669
Taxes and licenses	1,873	(2,209)	227	423	215	27,271	10	783	35	745	-	29,373	3,668	218	33,259
Telephone	35,539	10,944	1,853	8,637	2,939	4,522	5,871	9,500	384	2,062	-	82,251	8,100	3,532	93,883
Transportation	44,692	16,578	1,392	7,930	2,350	9,209	2,595	9,463	323	-	-	94,532	14,676	403	109,611
Unemployment insurance	20,343	7,919	1,537	7,584	3,153	7,317	3,096	15,069	2,343	4,404	-	72,765	9,918	2,960	85,643
Utilities	16,878	8,050	9,354	8,498	4,197	6,273	186	14,594	891	5,180	-	74,101	11,978	4,302	90,381
Workers compensation insurance	22,049	8,635	4,982	8,116	2,757	6,403	3,904	16,366	5,322	7,497	-	86,031	66,933	5,399	158,363
TOTAL	$ 2,434,489	$ $1,084,784	$ 223,024	$ 1,803,129	$ 300,288	$ 664,865	$ 298,247	$ 1,988,991	$ 214,389	$ 490,761	$ 19,246	$ 9,522,213	$ 1,663,765	$ 426,789	$ 11,612,767

See notes to financial statements.

	Years ended June 30	
	2016	2015
Cash flows from operating activities		
Change in net assets	**$ 1,018,094**	$ 1,616,457
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	**312,306**	424,258
Gain on forgiveness of note payable	**(60,000)**	(60,000)
Contributed rent	**33,000**	33,000
Imputed interest on noninterest bearing note payable	**8,303**	10,807
Interest on endowment fund	**(752)**	(97)
Changes in operating assets and liabilities:		
Funds held for others	**(321,324)**	(53,724)
Grants receivable	**(905,280)**	(37,148)
Pledges receivable	**10,000**	(544,203)
Prepaid expenses and other current assets	**(22,734)**	(28,669)
Other assets	**(61,481)**	(39,950)
Accounts payable and accrued expenses	**423,091**	32,467
Contract advances	**414,915**	(245,456)
Funds held for others	**321,324**	53,724
Net cash provided by operating activities	**1,169,462**	1,161,466
Cash flows from investing activities		
Investments in board designated endowment fund	**-**	(500,000)
Purchase of property and equipment	**(49,896)**	(104,814)
Cash used in investing activities	**(49,896)**	(604,814)
Cash from financing activities		
Payment of notes payable	**(937,085)**	(498,440)
Cash used in financing activities	**(937,085)**	(498,440)
Net change in cash and cash equivalents	**182,481**	58,212
Cash and cash equivalents at beginning of year	**1,483,023**	1,424,811
Cash and cash equivalents at end of year	**$ 1,665,504**	$ 1,483,023
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	**$ 52,619**	$ 81,670

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, the 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 6,500 individuals across all programs 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. The Center's integrated programs (described below) provide clients with concentrated and coordinated access to services according to the nature of their needs.

<u>Homeless Service Center:</u>
Homeless Service Center - provides long-term case management aimed at permanent housing, offers referrals for critical services such as substance abuse treatment, and makes emergency services, such as shelter placement, showers, laundry, and mailboxes available to homeless individuals and families. More than 1,800 homeless individuals were served here in 2015-16.

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.

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 2015-16 the Food Pantry distributed enough food for approximately 1,300 households to prepare nearly 150,000 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 low-income adults in food service and life skills to help them obtain jobs; Codetalk trains women from low-income backgrounds for entry-level programming jobs in the tech industry.

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, 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, 2016 and 2015, 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 2013 and subsequent years (for federal) and 2012 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
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 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, 2016, the Center had bank accounts that exceeded the Federal Deposit Insurance Corporation limit totaling $1,001,112.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification
Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 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:

		2016		2015
Veterans Representative Payee Project:				
Individual accounts for clients	$	973,266	$	840,976
Client funds		712,379		499,183
Monetary Advisory Program Client Funds		131,606		155,768
	$	1,817,251	$	1,495,927

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, 2016 and 2015, the Center's deferred rent, net of current portion of $33,000 for both years, amounted to $1,155,000 and $1,188,000, respectively.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

		2016		2015
Land	$	165,447	$	165,447
Building		9,385,746		9,343,422
Furniture and equipment		1,610,347		1,602,775
Leasehold improvements		225,143		225,143
Vehicles		264,995		264,995
		11,651,678		11,601,782
Less accumulated depreciation and amortization		(3,696,475)		(3,384,169)
	$	7,955,203	$	8,217,613

NOTE 6 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation and amortization expense was $312,306 and $424,258 for the years ended June 30, 2016 and 2015, respectively.

NOTE 7 NOTES PAYABLE

As of June 30, notes payable consisted of:

	2016	2015
Unsecured note payable to East West Bank, bearing interest at prime plus 1%. The loan was repaid in full in April 2016.	**$ -**	$ 900,000
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 $12,491 and $20,744 in 2016 and 2015, respectively.	**107,559**	159,256
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.	**475,547**	504,798
Truck loan payable to Ford Motor Credit, non-interest bearing and requiring monthly payments of $595, matures in June 2018.	**15,727**	23,561
	598,833	1,587,615
Less current portion	**(116,748)**	(271,388)
	$ 482,085	$ 1,316,227

Interest payments made on debt obligations during the years ended June 30, 2016 and 2015 amounted to $52,619 and $81,670, respectively.

NOTE 7 NOTES PAYABLE (CONTINUED)

At June 30, 2016, annual maturities of long-term debt are as follows:

Year ending June 30		Amount
2017	$	116,748
2018		116,803
2019		48,912
2020		48,912
2021		48,912
2022 and thereafter		230,987
		611,274
Less unamortized discount		(12,441)
	$	598,833

NOTE 8 LINE OF CREDIT

The Organization 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 Organization had no borrowings outstanding on the line of credit as of June 30, 2016 and 2015.

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, 2016 and 2015, not all advances were utilized. At June 30, 2016 and 2015, the unused funds amounted to $853,742 and $438,827, 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. Temporarily restricted net assets at June 30 consisted of the following:

		2016		2015
Deferred rent	$	1,188,000	$	1,221,000
Restricted as to purpose		1,110,722		1,700,000
Restricted as to time		149,414		38,245
Income from board designated endowment fund		849		97
	$	2,448,985	$	2,959,342

On March 18, 2015, the Center was awarded a grant amounting to $500,000 that was designated for the purpose of creating the board designated endowment fund.

NOTE 11 FUNDRAISING EVENTS - NET

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

		2016		2015
Gross receipts:				
Dinner dance	$	631,614	$	557,446
Other		42,505		47,871
		674,119		605,317
Expenses				
Dinner dance		134,604		134,691
Other		3,520		7,231
		138,124		141,922
	$	535,995	$	463,395

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, 2016 and 2015 related to these leases amounted to $265,980 and $231,753, respectively.

At June 30, 2016, future commitments under the lease agreements are as follows:

Year ending June 30	Amount
2017	$ 481,650
2018	484,224
2019	437,368
2020	86,561
2021	80,356
2022 and thereafter	31
	$ 1,570,190

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 25, 2016, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined that no other subsequent matters required disclosure or adjustment to the accompanying financial statements.

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Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
St. Joseph Center

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, 2016, 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 25, 2016.

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 25, 2016

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