



St. Joseph Center
Audited Financial Statements
As of and for the Years Ended June 30, 2018 and 2017
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, a California not-for-profit corporation, which comprise the statements of financial position as of June 30, 2018 and 2017, 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, 2018 and 2017, 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 18, 2018, 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 18, 2018**

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

	June 30	
	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,554,838	\$ 1,291,076
Funds held for others	1,438,303	2,224,144
Grants receivable, net of allowance for doubtful accounts of \$53,692 in 2018 and \$0 in 2017	5,075,927	2,824,957
Pledges receivable	22,050	46,500
Current portion of deferred rent	33,000	33,000
Board designated endowment fund	502,354	501,601
Prepaid client rental assistance	209,060	153,555
Prepaid expenses and other current assets	58,602	203,451
Total current assets	9,894,134	7,278,284
Property and equipment, net	7,917,497	7,819,108
Other assets		
Deferred rent, net of current portion	1,089,000	1,122,000
Other assets	186,567	145,775
Total other assets	1,275,567	1,267,775
Total assets	\$ 19,087,198	\$ 16,365,167
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of notes payable	\$ 47,829	\$ 136,728
Accounts payable and accrued expenses	1,796,184	1,359,613
Contract advances	2,484,085	225,378
Funds held for others	1,438,303	2,224,144
Total current liabilities	5,766,401	3,945,863
Noncurrent liabilities		
Notes payable, net of current portion	336,341	352,133
Total liabilities	6,102,742	4,297,996
Net assets		
Unrestricted	10,930,436	10,247,012
Unrestricted board-designated endowment fund	502,354	501,601
Temporarily restricted	1,551,666	1,318,558
Total net assets	12,984,456	12,067,171
Total liabilities and net assets	\$ 19,087,198	\$ 16,365,167

See notes to financial statements.

**St. Joseph Center
Statements of Activities**

	Years ended June 30	
	2018	2017
Unrestricted net assets		
Revenues, gains and other support		
Government grants and contracts	\$ 19,298,131	\$ 10,845,649
Contributions	3,237,424	3,066,279
In-kind contributions	533,973	462,420
Child care fees	633,217	596,634
Fundraising events, net	567,155	509,669
Other revenues	182,756	123,094
Income from board designated endowment fund	753	752
Total revenues, gains and other support	24,453,409	15,604,497
Net assets released from restrictions	213,159	1,164,578
Total unrestricted revenues	24,666,568	16,769,075
Expenses		
Program services	19,730,921	12,284,676
General and administrative	3,635,965	2,947,592
Development	616,258	521,472
Total expenses	23,983,144	15,753,740
Change in unrestricted net assets	683,424	1,015,335
Temporarily restricted net assets		
Contributions	447,020	535,000
Net assets released from restrictions	(213,159)	(1,164,578)
Change in temporarily restricted net assets	233,861	(629,578)
Change in net assets	917,285	385,757
Net assets at beginning of year	12,067,171	11,681,414
Net assets at end of year	\$ 12,984,456	\$ 12,067,171

See notes to financial statements.

St. Joseph Center
Statement of Functional Expenses
Year ended June 30, 2018

	<u>Housing</u>	<u>Outreach and Engagement</u>	<u>Mental Health</u>	<u>Education and Vocation</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Development</u>	<u>TOTAL</u>
Accounting	\$ 13,708	\$ 4,762	\$ 9,227	\$ 4,890	\$ 32,587	\$ 68,031	\$ 1,219	\$ 101,837
Advertising and recruitment	189	10	165	30	394	44,688	3	45,085
Provision for doubtful accounts	-	-	-	-	-	53,692	-	53,692
Bank charges	256	362	145	25	788	41,354	-	42,142
Client direct aid expenses	5,266,333	169,645	194,834	669,643	6,300,455	3,996	437	6,304,888
Conferences and meetings	1,242	3,396	5,702	730	11,070	7,240	-	18,310
Contracted services and subgrants	384,370	437,604	146,333	-	968,307	-	-	968,307
Depreciation and amortization	80,489	15,448	54,845	48,729	199,511	47,605	9,661	256,777
Dues and subscriptions	11,532	-	8,633	99	20,264	49,669	7,543	77,476
General liability/auto insurance	33,821	24,976	31,415	11,402	101,614	33,799	3,722	139,135
Interest expense	-	-	18	-	18	24,399	-	24,417
Jesuit volunteers/interns	53,750	58,855	5,452	-	118,057	-	-	118,057
Meals and entertainment	157	555	774	-	1,486	4,288	40	5,814
Miscellaneous	38	-	23	38	99	2,901	-	3,000
Non-capital equipment	43,716	39,728	34,325	30,339	148,108	21,210	3,626	172,944
Office and general supplies	33,759	22,461	32,352	54,304	142,876	103,816	3,590	250,282
Outside services	153,618	60,061	235,178	62,136	510,993	178,896	14,355	704,244
Payroll taxes and benefits	515,469	284,532	442,802	247,393	1,490,196	331,017	69,313	1,890,526
Postage	2,344	753	1,972	2,095	7,164	2,949	608	10,721
Printing and copying	1,617	1,140	1,618	597	4,972	3,834	1,850	10,656
Rent-facilities and storage	196,390	122,863	131,553	26,284	477,090	83,901	13,810	574,801
Repairs and maintenance	31,089	18,096	24,797	29,818	103,800	28,427	3,081	135,308
Salaries	2,997,135	1,646,401	2,539,615	1,192,140	8,375,291	2,278,104	464,781	11,118,176
Sisters' stipends	-	-	30,379	-	30,379	-	-	30,379
Staff education	21,132	12,815	18,573	2,580	55,100	81,050	1,247	137,397
Taxes and licenses	962	210	29,969	1,525	32,666	5,279	177	38,122
Telephone	48,277	24,815	46,662	11,444	131,198	50,285	3,401	184,884
Transportation	60,093	22,118	69,688	10,976	162,875	16,740	338	179,953
Unemployment insurance	48,302	30,831	34,937	16,029	130,099	19,209	4,900	154,208
Utilities	24,924	9,558	23,620	18,691	76,793	18,146	3,513	98,452
Workers compensation insurance	28,666	18,435	21,991	27,579	96,671	31,440	5,043	133,154
Total expenses	\$ <u>10,053,378</u>	\$ <u>3,030,430</u>	\$ <u>4,177,597</u>	\$ <u>2,469,516</u>	\$ <u>19,730,921</u>	\$ <u>3,635,965</u>	\$ <u>616,258</u>	\$ <u>23,983,144</u>

See notes to financial statements.

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

	<u>Housing</u>	<u>Outreach and Engagement</u>	<u>Mental Health</u>	<u>Education and Vocation</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Development</u>	<u>TOTAL</u>
Accounting	\$ 10,579	\$ 2,572	\$ 11,908	\$ 6,101	\$ 31,160	\$ 53,776	\$ 1,639	\$ 86,575
Advertising and recruitment	1,545	1,660	790	373	4,368	21,329	135	25,832
Bank charges	-	8	-	-	8	25,586	123	25,717
Client direct aid expenses	1,317,378	354,924	157,275	521,047	2,350,624	16,007	138	2,366,769
Conferences and meetings	524	3,757	3,413	8	7,702	16,398	418	24,518
Contracted services and subgrants	243,702	634,550	199,271	-	1,077,523	-	-	1,077,523
Depreciation and amortization	34,218	53,258	70,681	49,025	207,182	71,186	11,228	289,596
Dues and subscriptions	117	14	7,603	266	8,000	9,778	6,674	24,452
General liability/auto insurance	23,497	9,130	25,201	12,444	70,272	42,715	3,994	116,981
Interest expense	-	-	-	-	-	24,741	-	24,741
Jesuit volunteers/interns	39,271	31,017	21,853	19,082	111,223	-	10	111,233
Meals and entertainment	3,822	98	600	950	5,470	2,380	532	8,382
Miscellaneous	-	-	-	173	173	5,231	20	5,424
Non-capital equipment	34,713	20,197	25,423	18,508	98,841	36,443	1,646	136,930
Office and general supplies	23,398	11,606	20,090	42,845	97,939	64,720	4,547	167,206
Outside services	83,216	46,059	242,695	38,934	410,904	228,261	14,734	653,899
Payroll taxes and benefits	309,556	112,837	400,419	190,918	1,013,730	279,203	47,305	1,340,238
Postage	1,350	449	1,774	833	4,406	6,051	458	10,915
Printing and copying	2,579	384	2,173	804	5,940	5,015	1,308	12,263
Rent-facilities and storage	131,325	34,661	115,689	23,178	304,853	87,495	19,957	412,305
Repairs and maintenance	38,666	15,577	30,476	46,734	131,453	31,199	4,820	167,472
Salaries	1,801,436	746,346	2,305,485	1,053,921	5,907,188	1,695,430	386,707	7,989,325
Sisters' stipends	-	-	21,000	-	21,000	-	-	21,000
Staff education	3,260	2,301	3,277	3,301	12,139	105,227	648	118,014
Taxes and licenses	1,168	1,219	32,913	1,329	36,629	4,818	206	41,653
Telephone	28,269	13,033	35,534	10,289	87,125	45,635	3,639	136,399
Transportation	36,818	7,028	60,578	6,323	110,747	20,578	926	132,251
Unemployment insurance	4,988	1,965	5,515	2,886	15,354	4,405	1,005	20,764
Utilities	18,309	9,987	26,354	18,503	73,153	17,830	4,493	95,476
Workers compensation insurance	19,421	9,750	22,893	27,506	79,570	26,155	4,162	109,887
Total expenses	\$ 4,213,125	\$ 2,124,387	\$ 3,850,883	\$ 2,096,281	\$ 12,284,676	\$ 2,947,592	\$ 521,472	\$ 15,753,740

See notes to financial statements.

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

	Years ended June 30	
	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 917,285	\$ 385,757
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Doubtful accounts expense	53,692	-
Depreciation and amortization	256,777	289,596
Gain on forgiveness of note payable	(60,000)	(160,000)
Contributed rent	33,000	33,000
Imputed interest on noninterest bearing note payable	6,711	5,671
Interest on endowment fund	(753)	(752)
Changes in operating assets and liabilities:		
Funds held for others	785,841	(406,893)
Grants receivable	(2,304,662)	(714,150)
Pledges receivable	24,450	533,500
Prepaid client rental assistance	(55,505)	(153,140)
Prepaid expenses and other current assets	144,849	(85,136)
Other assets	(40,792)	(27,444)
Accounts payable and accrued expenses	436,571	256,178
Contract advances	2,258,707	(628,364)
Funds held for others	(785,841)	406,893
Net cash provided by (used in) operating activities	1,670,330	(265,284)
Cash flows from investing activities		
Purchase of property and equipment	(355,166)	(153,501)
Cash used in investing activities	(355,166)	(153,501)
Cash from financing activities		
Proceeds from notes payable	-	77,078
Payments on notes payable	(51,402)	(32,721)
Net cash provided by (used in) financing activities	(51,402)	44,357
Net change in cash and cash equivalents	1,263,762	(374,428)
Cash and cash equivalents at beginning of year	1,291,076	1,665,504
Cash and cash equivalents at end of year	\$ 2,554,838	\$ 1,291,076
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	\$ 17,635	\$ 21,026
Supplemental disclosure of non-cash information		
Forgiveness of note payable	\$ 60,000	\$ -

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. The Center engages more than 10,000 people and assist over 7,000 men, women, and children 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 is a partnership between the County of Los Angeles, the City of Los Angeles, and community organizations led by the Center. Venice 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

- RRR-ISM/Animo provides traditional and non-traditional mental health services to underserved Latino families and individuals on the Westside.
- RRR-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 accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor imposed stipulations. Unrestricted board-designated net assets consist of board-designated endowment funds.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Center and/or passage of time. When a restriction is met temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Center held \$1,551,666 and \$1,318,558 of temporarily restricted net assets as of June 30, 2018 and 2017.

Permanently restricted net assets - Net assets subject to donor imposed stipulations that are maintained by the Center in perpetuity. There were no permanently restricted net assets as of December 31, 2018 and 2017.

Method of Accounting

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

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

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

As of and for the years ended June 30, 2018 and 2017, 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 2015 and subsequent years (for federal) and 2014 and subsequent years (for state).

Cash and Cash Equivalents

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

Accounts Receivable

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

Property and Equipment

Property and equipment are recorded at cost or, if donated, at estimated fair value at the date of donation. The costs of additions and betterments are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. The Center generally capitalizes assets with an original cost over \$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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

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.

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 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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

As of June 30, 2018 and 2017, the Center has receivables from the Department of Mental Health (DMH), Los Angeles County amounting to \$1,983,711 and \$1,596,453, respectively, which comprised 39% and 57%, respectively, of the Center's total receivables. For the years ended June 30, 2018 and 2017, the Center earned \$4,264,598 and \$3,698,680, respectively, from the DMH, which accounted for 17% and 23%, respectively, of the Center's revenues.

As of June 30, 2018 and 2017, the Center has receivables from the Los Angeles Homeless Services Authority (LAHSA), amounting to \$2,125,805 and \$682,041, respectively, which comprised 42% and 24%, respectively, of the Center's total receivables. For the years ended June 30, 2018 and 2017, the Center earned \$9,531,761 and \$3,279,466, respectively, from LAHSA, which accounted for 38% and 20%, respectively, of the Center's revenues.

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, 2018 and 2017, the Center had bank accounts that exceeded the Federal Deposit Insurance Corporation limit totaling \$1,947,695 and \$1,468,631, respectively.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 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:

	2018	2017
Veterans Representative Payee Project:		
Individual accounts for clients	\$ 920,593	\$ 949,848
Client funds	380,850	1,135,672
Monetary Advisory Program Client Funds	136,860	138,624
	\$ 1,438,303	\$ 2,224,144

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, 2018 and 2017, the Center's deferred rent, net of current portion of \$33,000 for both years, amounted to \$1,089,000 and \$1,122,000, respectively.

NOTE 6 PROPERTY AND EQUIPMENT

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

	2018	2017
Land	\$ 165,447	\$ 165,447
Building	9,446,880	9,415,889
Furniture and equipment	1,943,878	1,728,106
Leasehold improvements	271,041	230,742
Vehicles	333,099	264,995
	12,160,345	11,805,179
Less accumulated depreciation and amortization	(4,242,848)	(3,986,071)
	\$ 7,917,497	\$ 7,819,108

Depreciation and amortization expense was \$256,777 and \$289,596 for the years ended June 30, 2018 and 2017, respectively.

NOTE 7 NOTES PAYABLE

At June 30, notes payable consisted of:

	2018	2017
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 \$3,288; matures in June 2028.	\$ 324,758	\$ 350,660
Furniture loan payable to Horizon Keystone Financial, non-interest bearing and requiring monthly payments of \$1,981, matures in August 2021.	59,412	77,078

NOTE 7 NOTES PAYABLE (CONTINUED)

	2018	2017
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 \$0 and \$7,423 as of June 30, 2018 and 2017, respectively. Matured June 2018.	\$ -	\$ 52,577
Truck loan payable to Ford Motor Credit, non-interest bearing and requiring monthly payments of \$595, matures in June 2018.	-	8,546
	384,170	488,861
Less current portion	(47,829)	(136,728)
	\$ 336,341	\$ 352,133

Interest payments made on debt obligations during the years ended June 30, 2018 and 2017 amounted to \$17,635 and \$21,026, respectively.

At June 30, 2018, annual maturities of long-term debt are as follows:

Year ending June 30	Amount
2019	\$ 47,829
2020	47,325
2021	48,468
2022	30,387
2023	31,625
2024 and thereafter	178,536
	\$ 384,170

NOTE 8 LINE OF CREDIT

The Center has a line of credit of \$3,000,000 with a financial institution that expires November 12, 2018, 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, 2018 and 2017. The Center met the financial covenants under the line of credit for the years ended June 30, 2018 and 2017.

NOTE 9 CONTRACT ADVANCES

The Center has been awarded grants from the Los Angeles Homeless Services Authority (LAHSA), County of Los Angeles - Department of Mental Health, and other government agencies to provide mental health services and other services. As of June 30, 2018 and 2017, not all advances were utilized. Contract advances have increased significantly from \$225,278 as of June 30, 2017 to \$2,484,085 as of June 30, 2018, owing to changes in cash advance methodologies by LAHSA during 2018.

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:

	2018	2017
Deferred rent	\$ 1,122,000	\$ 1,155,000
Restricted as to purpose	429,666	156,787
Restricted as to time	-	6,771
	\$ 1,551,666	\$ 1,318,558

NOTE 11 FUNDRAISING EVENTS - NET

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

	2018	2017
Gross receipts:		
Dinner dance	\$ 668,511	\$ 607,939
Other	43,321	39,190
	711,832	647,129
Expenses		
Dinner dance	134,569	130,521
Other	10,108	6,939
	144,677	137,460
	\$ 567,155	\$ 509,669

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, 2018 and 2017 related to these leases amounted to \$574,801 and \$412,305, respectively.

At June 30, 2018, future commitments under the lease agreements are as follows:

Year ending June 30	Amount
2019	\$ 541,005
2020	412,727
2021	408,180
2022	337,358
2023	43,158
Thereafter	30
	\$ 1,742,458

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 18, 2018 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, 2018, 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 18, 2018.

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 18, 2018**



www.vasquezcpa.com

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