St. Joseph Center
Audited Financial Statements
As of and for the Years Ended June 30, 2019 and 2018
with Report of Independent Auditors

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

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655 N Central Avenue, Suite 1550
Glendale, CA 91203
Ph. (213) 873-1700
Fax (213) 873-1777
www.vasquezcpa.com

OFFICE LOCATIONS:
Los Angeles
Sacramento
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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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

Adoption of New Accounting Pronouncement
As discussed in Note 3 to the financial statements, St. Joseph Center adopted new accounting standards, FASB ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. Prior year financial statement presentation and disclosures have been revised to reflect the retrospective application of adopting this change in accounting standards. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019, 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

Glendale, California
October 24, 2019

		June 30		
		2019		2018
ASSETS				
Current assets				
Cash and cash equivalents	$	**3,306,686**	$	2,554,838
Funds held for others		**656,923**		1,438,303
Grants receivable, net of allowance for doubtful accounts of $66,866 in 2019 and $53,692 in 2018		**5,295,841**		5,075,927
Pledges receivable		**20,950**		22,050
Current portion of deferred rent		**33,000**		33,000
Board designated endowment fund		**512,755**		502,354
Prepaid expenses and other current assets		**198,752**		267,662
Total current assets		**10,024,907**		9,894,134
Property and equipment, net		**7,907,040**		7,917,497
Other assets				
Deferred rent, net of current portion		**1,056,000**		1,089,000
Other assets		**229,965**		186,567
Total other assets		**1,285,965**		1,275,567
Total assets	$	**19,217,912**	$	19,087,198
LIABILITIES AND NET ASSETS				
Current liabilities				
Current portion of notes payable	$	**48,927**	$	47,829
Accounts payable and accrued expenses		**2,076,269**		1,796,184
Contract advances		**3,024,448**		2,484,085
Funds held for others		**656,923**		1,438,303
Total current liabilities		**5,806,567**		5,766,401
Noncurrent liabilities				
Notes payable, net of current portion		**289,015**		336,341
Total liabilities		**6,095,582**		6,102,742
Net assets				
Without donor restrictions				
Board-designated		**512,755**		502,354
Other		**10,773,221**		10,930,436
With donor restrictions		**1,836,354**		1,551,666
Total net assets		**13,122,330**		12,984,456
Total liabilities and net assets	$	**19,217,912**	$	19,087,198

See notes to financial statements.

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Government grants and contracts	$ 24,562,101	$ -	$ 24,562,101
Contributions	2,508,693	663,824	3,172,517
In-kind contributions	488,617	-	488,617
Child care fees	640,684	-	640,684
Fundraising events, net	648,244	-	648,244
Other revenues	89,149	-	89,149
Income from board designated endowment fund	12,755	-	12,755
Net assets released from restrictions	379,136	(379,136)	-
Total revenues, gains and other support	29,329,379	284,688	29,614,067
EXPENSES			
Program services	24,313,876	-	24,313,876
General and administrative	4,418,420	-	4,418,420
Development	743,897	-	743,897
Total expenses	29,476,193	-	29,476,193
CHANGES IN NET ASSETS	(146,814)	284,688	137,874
NET ASSETS			
Beginning of year	11,432,790	1,551,666	12,984,456
End of year	**$** 11,285,976	$ 1,836,354	$ 13,122,330

See notes to financial statements.

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Government grants and contracts	$ 19,298,131	$ -	$ 19,298,131
Contributions	3,237,424	447,020	3,684,444
In-kind contributions	533,973	-	533,973
Child care fees	633,217	-	633,217
Fundraising events, net	567,155	-	567,155
Other revenues	182,756	-	182,756
Income from board designated endowment fund	753	-	753
Net assets released from restrictions	213,912	(213,912)	-
Total revenues, gains and other support	24,667,321	233,108	24,900,429
EXPENSES			
Program services	19,730,921	-	19,730,921
General and administrative	3,635,965	-	3,635,965
Development	616,258	-	616,258
Total expenses	23,983,144	-	23,983,144
CHANGES IN NET ASSETS	684,177	233,108	917,285
NET ASSETS			
Beginning of year	10,748,613	1,318,558	12,067,171
End of year	$ 11,432,790	$ 1,551,666	$ 12,984,456

See notes to financial statements.

St. Joseph Center
Statement of Functional Expenses
Year ended June 30, 2019

	Housing	Outreach and Engagement	Mental Health	Education and Vocation	Total Program Services	General and Administrative	Development	TOTAL
Accounting	$ 13,541	$ 9,922	$ 9,126	$ 3,721	$ 36,310	$ 75,439	$ 1,161	$ 112,910
Advertising and recruitment	158	51	646	45	900	43,232	-	44,132
Bank charges	2,073	1,068	296	25	3,462	44,842	-	48,304
Client direct aid expenses	5,852,896	488,916	494,268	638,432	7,474,512	60,699	294	7,535,505
Conferences and meetings	740	3,218	531	1,404	5,893	12,712	295	18,900
Contracted services and subgrants	416,007	276,459	130,491	-	822,957	-	-	822,957
Depreciation and amortization	52,391	51,914	88,452	60,496	253,253	78,210	18,304	349,767
Dues and subscriptions	4,169	316	7,867	500	12,852	50,302	8,655	71,809
General liability/auto insurance	34,557	35,867	37,701	10,945	119,070	25,498	4,657	149,225
Interest expense	-	-	-	-	-	17,005	-	17,005
Jesuit volunteers/interns	52,250	41,522	-	6,813	100,585	-	-	100,585
Meals and entertainment	202	429	149	149	929	6,944	130	8,003
Miscellaneous	-	-	13,174	-	13,174	1,812	43	15,029
Non-capital equipment	62,301	72,062	56,698	14,744	205,805	68,916	2,428	277,149
Office and general supplies	37,895	43,497	29,229	58,137	168,758	77,496	4,275	250,529
Outside services	147,264	166,957	443,625	73,524	831,370	378,871	23,278	1,233,519
Payroll taxes and benefits	668,206	495,926	541,590	213,582	1,919,304	464,905	70,596	2,454,805
Postage	1,953	1,594	2,147	1,096	6,790	3,464	743	10,997
Printing and copying	1,883	1,546	3,562	1,183	8,174	14,264	1,680	24,118
Rent-facilities and storage	265,736	257,656	183,763	37,199	744,354	140,130	20,596	905,080
Repairs and maintenance	21,520	33,223	20,287	39,472	114,502	22,502	3,706	140,710
Salaries	3,763,428	2,862,205	3,114,260	1,048,378	10,788,271	2,606,084	563,521	13,957,876
Staff education	19,806	15,984	11,527	3,508	50,825	97,963	1,509	150,297
Taxes and licenses	212	45	39,350	745	40,352	6,514	9	46,875
Telephone	39,419	31,083	41,815	10,176	122,493	48,052	4,956	175,501
Transportation	59,283	47,838	76,819	2,113	186,053	20,109	1,618	207,780
Unemployment insurance	17,646	13,020	13,570	4,810	49,046	6,325	2,140	57,511
Utilities	27,775	19,868	33,785	24,372	105,800	28,608	6,013	140,421
Workers compensation insurance	39,191	30,615	30,667	27,609	128,082	17,522	3,290	148,894
Total expenses	$ 11,602,502	$ 5,002,801	$ 5,425,395	$ 2,283,178	$ 24,313,876	$ 4,418,420	$ 743,897	$ 29,476,193

See notes to financial statements.

	Housing	Outreach and Engagement	Mental Health	Education and Vocation	Total Program Services	General and Administrative	Development	TOTAL
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
Bad debt expense	-	-	-	-	-	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	$ 10,053,378	$ 3,030,430	$ 4,177,597	$ 2,469,516	$ 19,730,921	$ 3,635,965	$ 616,258	$ 23,983,144

See notes to financial statements.

	Years ended June 30	
	2019	2018
Cash flows from operating activities		
Change in net assets	**$ 137,874**	$ 917,285
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debt expense	**66,866**	53,692
Depreciation and amortization	**349,767**	256,777
Gain on forgiveness of note payable	**-**	(60,000)
Contributed rent	**33,000**	33,000
Imputed interest on noninterest bearing note payable	**-**	6,711
Interest on endowment fund	**(10,401)**	(753)
Changes in operating assets and liabilities:		
Funds held for others	**781,380**	785,841
Grants receivable	**(286,780)**	(2,304,662)
Pledges receivable	**1,100**	24,450
Prepaid expenses and other current assets	**68,910**	89,344
Other assets	**(43,398)**	(40,792)
Accounts payable and accrued expenses	**280,085**	436,571
Contract advances	**540,363**	2,258,707
Funds held for others	**(781,380)**	(785,841)
Net cash provided by operating activities	**1,137,386**	1,670,330
Cash flows from investing activities		
Purchase of property and equipment	**(339,310)**	(355,166)
Cash used in investing activities	**(339,310)**	(355,166)
Cash from financing activities		
Payments on notes payable	**(46,228)**	(51,402)
Cash used in financing activities	**(46,228)**	(51,402)
Net change in cash and cash equivalents	**751,848**	1,263,762
Cash and cash equivalents at beginning of year	**2,554,838**	1,291,076
Cash and cash equivalents at end of year	**$ 3,306,686**	$ 2,554,838
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	**$ 17,005**	$ 17,635
Supplemental disclosures of cash flow 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:

<u>Outreach and Engagement</u>

- 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 in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require the Center to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Center's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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, 2019 and 2018, 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 2016 and subsequent years (for federal) and 2015 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 with or without restriction, 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
The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services, general and administrative, and development expenses by management on an equitable basis.

Significant expenses that are allocated include the following:

Expense	Method of allocation
Client direct aid expenses	Time and effort
Contracted services and subgrants	Time and effort
Outside services	Time and effort
Payroll taxes and benefits	Time and effort
Rent-facilities and storage	Time and effort
Salaries	Time and effort

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Concentration of Credit Risk

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

As of June 30, 2019, and 2018, the Center has receivables from the Department of Mental Health (DMH), Los Angeles County amounting to $2,591,010 and $1,983,711, respectively, which comprised 49% and 39%, respectively, of the Center's total receivables. For the years ended June 30, 2019 and 2018, the Center earned $5,521,085 and $4,264,598, respectively, from the DMH, which accounted for 19% and 17%, respectively, of the Center's revenues.

As of June 30, 2019, and 2018, the Center has receivables from the Los Angeles Homeless Services Authority (LAHSA), amounting to $1,660,423 and $2,125,805, respectively, which comprised 31% and 42%, respectively, of the Center's total receivables. For the years ended June 30, 2019 and 2018, the Center earned $11,051,781 and $9,531,761, respectively, from LAHSA, which accounted for 37% and 38%, 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, 2019 and 2018, the Center had bank accounts that exceeded the Federal Deposit Insurance Corporation limit totaling $1,948,085 and $1,947,695, respectively.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 950) - *Presentation of Financial Statmenets of Not-For-Profit Entities*. The update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availibility of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Center has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 4 AVAILABILITY AND LIQUIDITY

The following represents the Center's financial assets at June 30, 2019 and 2018:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	$ 3,306,686	$ 2,554,838
Grants receivable, net	5,295,841	5,075,927
Pledges receivable	20,950	22,050
Financial assets available to meet general expenditures over the next twelve months	$ 8,623,477	$ 7,652,815
Total expenses less depreciation and amortization	$ 29,126,426	$ 23,726,367
% of total available financial assets over total expenses less depreciation	30%	32%

As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. Moreover, the Center has a line of credit (Note 9) available to meet cash flow needs.

NOTE 5 FUNDS HELD FOR OTHERS

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

	2019	2018
Veterans Representative Payee Project:		
Individual accounts for clients	**$ 213,503**	$ 920,593
Client funds	**274,724**	380,850
LAHSA Representative Payee Project Client Funds	**93,258**	-
Monetary Advisory Program Client Funds	**75,438**	136,860
	$ 656,923	$ 1,438,303

NOTE 6 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 contribution with restriction 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 restricted net assets. As of June 30, 2019, and 2018, the Center's deferred rent, inclusive of current portion of $33,000 for both years, amounted to $1,089,000 and $1,122,000, respectively.

NOTE 7 PROPERTY AND EQUIPMENT

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

	2019	2018
Land	**$ 165,447**	$ 165,447
Building	**9,446,880**	9,446,880
Furniture and equipment	**2,173,822**	1,943,878
Leasehold improvements	**285,815**	271,041
Vehicles	**427,693**	333,099
	12,499,657	12,160,345
Less accumulated depreciation and amortization	**(4,592,617)**	(4,242,848)
	$ 7,907,040	$ 7,917,497

Depreciation and amortization expense was $349,767 and $256,777 for the years ended June 30, 2019 and 2018, respectively.

NOTE 8 NOTES PAYABLE

At June 30, notes payable consisted of:

	2019	2018
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 $3,288; matures June 2028.	**$ 297,801**	$ 324,758
Furniture loan payable to Horizon Keystone Financial, non-interest bearing and requiring monthly payments of $1,981, matures in August 2021.	**40,141**	59,412
	337,942	384,170
Less current portion	**(48,927)**	(47,829)
	$ 289,015	$ 336,341

Interest payments made on debt obligations during the years ended June 30, 2019 and 2018 amounted to $17,005 and $17,635, respectively.

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

Year ending June 30	Amount
2020	$ 48,927
2021	48,468
2022	30,387
2023	31,625
2024	32,914
2025 and thereafter	145,621
	$ 337,942

NOTE 9 LINE OF CREDIT

The Center has a line of credit of $3,000,000 with a financial institution that expires November 12, 2020, 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, 2019 and 2018. The Center met the financial covenants under the line of credit for the years ended June 30, 2019 and 2018.

NOTE 10 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, 2019, and 2018, not all advances were utilized. Contract advances were $3,024,448 and $2,484,085 as of June 30, 2019 and 2018, respectively.

NOTE 11 NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction 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, net assets with donor restriction consisted of the following:

	2019	2018
Deferred rent	$ 1,089,000	$ 1,122,000
Restricted as to purpose	747,354	429,666
	$ 1,836,354	$ 1,551,666

NOTE 12 FUNDRAISING EVENTS - NET

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

	2019	2018
Gross receipts:		
Dinner dance	$ 682,466	$ 668,511
Other	122,337	43,321
	804,803	711,832
Expenses		
Dinner dance	129,859	134,569
Other	26,700	10,108
	156,559	144,677
	$ 648,244	$ 567,155

NOTE 13 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, 2019 and 2018 related to these leases amounted to $905,080 and $574,801, respectively.

At June 30, 2019, future commitments under the lease agreements are as follows:

Year ending June 30	Amount
2020	$ 688,695
2021	702,306
2022	487,363
2023	185,118
2024	1
Thereafter	30
	$ 2,063,513

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 14 SUBSEQUENT EVENTS

The Center has evaluated events or transactions that occurred subsequent to the statement of financial position date through October 24, 2019 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.

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

655 N Central Avenue, Suite 1550
Glendale, CA 91203
Ph. (213) 873-1700
Fax (213) 873-1777
www.vasquezcpa.com

OFFICE LOCATIONS:
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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, 2019, 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 24, 2019.

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

Glendale, California
October 24, 2019

655 N Central Avenue, Suite 1550 • Glendale, California 91203-1437 • Ph. (213) 873-1700 • Fax (213) 873-1777