

ST. MARY'S CENTER
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2017 AND 2016

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Holden & Company LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
St. Mary's Center
Oakland, California

We have audited the accompanying financial statements of St. Mary's Center (a nonprofit corporation) which comprise the statements of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Mary's Center as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the St. Mary's Center's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 11, 2016. In our opinion, the summarized comparative information presented on the Statement of Functional Expenses as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal, state and county awards on page 13, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplementary information shown on pages 14 to 21 is presented for purposes of additional analysis as required by the *California Department of Education*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2017, on our consideration of St. Mary's 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. Mary's Center's internal control over financial reporting and compliance.

HOLDEN & COMPANY LLP



Thomas J. Holden
Certified Public Accountant

San Rafael, California
November 14, 2017

ST. MARY'S CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
<u>ASSETS</u>		
CURRENT ASSETS		
Cash in bank	\$ 479,576	\$ 468,461
Cash in savings	1,567,391	1,038,957
Total Cash	2,046,967	1,507,418
Cash in trust (Note 3)	133,750	108,945
Accounts receivable	0	286
Grants receivable (Note 6)	331,458	294,060
Prepaid expenses	24,356	11,471
Total Current Assets	2,536,531	1,922,180
FIXED ASSETS (Note 5)		
Land	1,717,350	1,599,584
Buildings	5,198,554	2,897,933
Building improvements	2,828,769	2,614,146
Furniture and fixtures	116,510	106,031
Vehicles	37,578	37,578
Total Fixed Assets	9,898,761	7,255,272
Less: Accumulated Depreciation	2,164,995	1,840,799
Net Fixed Assets	7,733,766	5,414,473
TOTAL ASSETS	\$ 10,270,297	\$ 7,336,653
<u>LIABILITIES & NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 10,636	\$ 16,581
Accrued wages payable (Note 9)	114,234	104,028
Retirement contribution payable (Note 8)	40,000	40,000
Due to beneficiaries (Note 3)	138,350	113,545
Total Current Liabilities	303,220	274,154
LONG-TERM LIABILITIES:		
Note payable (Note 7)	1,000,000	1,000,000
Accrued interest (Note 7)	291,342	253,730
Total Long-Term Liabilities	1,291,342	1,253,730
TOTAL LIABILITIES	1,594,562	1,527,884
<u>NET ASSETS</u>		
Unrestricted Net Assets (Note 2)	7,823,505	5,365,902
Temporarily Restricted Assets (Note 2)	852,230	442,867
TOTAL NET ASSETS	8,675,735	5,808,769
TOTAL LIABILITIES AND NET ASSETS	\$ 10,270,297	\$ 7,336,653

See Independent Auditor's Report and Notes to Financial Statements.

ST. MARY'S CENTER
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
REVENUES				
Contributions	\$ 917,904	\$ 0	\$ 917,904	\$ 778,521
Government grants	1,271,033	0	1,271,033	1,194,010
Private contracts	73,614	0	73,614	90,114
Program fees	140,964	0	140,964	311,459
Contributed services	1,500	0	1,500	0
	<u>2,405,015</u>	<u>0</u>	<u>2,405,015</u>	<u>2,374,104</u>
OTHER GAINS AND LOSSES				
Special events	105,745	0	105,745	141,494
Direct event costs	<u>(26,672)</u>	<u>0</u>	<u>(26,672)</u>	<u>(29,103)</u>
Net Special Events	79,073	0	79,073	112,391
Interest income	4,080	0	4,080	3,417
Gain/(Loss) on sale of investments	(131)	0	(131)	(607)
Excess of assets acquired over liabilities assumed in donation of A Friendly Manor	2,418,387	1,000,000	3,418,387	0
Other income	<u>100</u>	<u>0</u>	<u>100</u>	<u>570</u>
Financial and Other Income	2,422,436	1,000,000	3,422,436	3,380
Net assets released from restrictions	<u>590,637</u>	<u>(590,637)</u>	<u>0</u>	<u>0</u>
TOTAL REVENUES	<u>5,497,161</u>	<u>409,363</u>	<u>5,906,524</u>	<u>2,489,875</u>
EXPENSES				
Program services	2,704,392	0	2,704,392	2,438,384
Supporting services				
Management and general	155,873	0	155,873	150,225
Fundraising	<u>179,293</u>	<u>0</u>	<u>179,293</u>	<u>182,610</u>
Total Supporting Services	<u>335,166</u>	<u>0</u>	<u>335,166</u>	<u>332,835</u>
TOTAL EXPENSES	<u>3,039,558</u>	<u>0</u>	<u>3,039,558</u>	<u>2,771,219</u>
CHANGE IN NET ASSETS	2,457,603	409,363	2,866,966	(281,344)
NET ASSETS AT BEGINNING OF YEAR	<u>5,365,902</u>	<u>442,867</u>	<u>5,808,769</u>	<u>6,090,113</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,823,505</u>	<u>\$ 852,230</u>	<u>\$ 8,675,735</u>	<u>\$ 5,808,769</u>

See Independent Auditor's Report and Notes to Financial Statements.

ST. MARY'S CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017
(SUMMARIZED FOR 2016)

	Supporting Services				2016	
	Program Services	Management & General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$ 1,334,979	\$ 52,427	\$ 133,198	\$ 185,625	\$ 1,520,604	\$ 1,433,113
Payroll taxes	125,050	3,786	9,832	13,618	138,668	128,739
Workers' compensation	27,672	589	1,177	1,766	29,438	30,182
Employee benefits	187,825	48,829	505	49,334	237,159	207,690
Retirement contributions	28,329	6,857	4,814	11,671	40,000	40,001
Consultants	159,083	1,137	10,025	11,162	170,245	190,336
Program costs	64,349	204	0	204	64,553	66,871
Garden supplies & materials	4,413	4,213	0	4,213	8,626	5,094
Telephone & utilities	79,164	1,915	288	2,203	81,367	74,736
Dues & subscriptions	5,505	69	1,651	1,720	7,225	5,739
Staff training	4,526	0	0	0	4,526	5,794
Auto & travel	8,621	0	0	0	8,621	3,628
Repairs & maintenance	98,552	2,795	0	2,795	101,347	79,895
Insurance	38,341	1,185	0	1,185	39,526	32,854
Interest expense	33,099	4,513	0	4,513	37,612	36,516
Real estate taxes	2,570	314	0	314	2,884	5,422
Printing & copying	16,129	1,187	5,258	6,445	22,574	11,636
Postage	2,342	47	1,717	1,764	4,106	5,259
Legal & accounting	141,086	3,197	5,940	9,137	150,223	129,223
Office expenses	16,459	418	4,068	4,486	20,945	16,576
Miscellaneous expenses	23,743	605	765	1,370	25,113	15,909
Depreciation	302,555	21,586	55	21,641	324,196	246,006
	\$ 2,704,392	\$ 155,873	\$ 179,293	\$ 335,166	\$ 3,039,558	\$ 2,771,219

See Independent Auditor's Report and Notes to Financial Statements.

ST. MARY'S CENTER
STATEMENT OF FUNCTIONAL EXPENSES BY PROGRAM
YEAR ENDED JUNE 30, 2017

	Program Services										Administrative & Fundraising Total	Total
	Seniors' Outreach & Advocacy	Homeless	Shelter	Preschool	Food for All Ages	Recovery 55	Closer to Home	A Friendly Manor	Program Services Total			
Salaries	\$ 346,208	\$ 455,687	\$ 35,418	\$ 165,704	\$ 61,702	\$ 113,953	\$ 23,880	\$ 132,427	\$ 1,334,979	\$ 185,625	\$ 1,520,604	
Payroll taxes	33,885	41,556	3,230	15,111	5,627	11,387	2,178	12,076	125,050	13,618	138,668	
Workers' compensation	7,065	10,009	1,472	3,238	2,355	2,944	589	0	27,672	1,766	29,438	
Employee benefits	39,968	47,566	15,758	29,714	6,720	20,748	0	27,351	187,825	49,334	237,159	
Retirement contributions	7,806	9,570	0	3,994	1,480	2,325	1,106	2,048	28,329	11,671	40,000	
Consultants	39,491	31,295	1,170	1,497	17,076	9,261	0	59,293	159,083	11,162	170,245	
Program costs	1,151	5,603	4,426	19,530	23,144	1,137	0	9,358	64,349	204	64,553	
Garden supplies & materials	0	0	0	0	4,413	0	0	0	4,413	4,213	8,626	
Telephone & utilities	4,275	6,136	3,730	5,604	2,886	3,660	15,304	37,569	79,164	2,203	81,367	
Dues & subscriptions	2,420	2,227	113	231	233	128	153	0	5,505	1,720	7,225	
Staff training	1,476	1,055	0	1,995	0	0	0	0	4,526	0	4,526	
Auto & travel	2,557	4,961	0	0	897	182	0	24	8,621	0	8,621	
Repairs & maintenance	7,584	10,999	10,315	11,370	8,539	6,803	11,197	31,745	98,552	2,795	101,347	
Insurance	1,581	2,372	1,581	3,557	1,581	1,976	7,906	17,787	38,341	1,185	39,526	
Interest expense	6,018	8,651	6,018	0	5,266	7,146	0	0	33,099	4,513	37,612	
Real estate taxes	419	602	419	1,007	367	498	(2,112)	1,370	2,570	314	2,884	
Printing & copying	1,794	2,366	1,535	2,183	1,284	1,878	3,252	1,837	16,129	6,445	22,574	
Postage	475	924	99	236	158	198	87	165	2,342	1,764	4,106	
Legal & accounting	36,235	51,679	4,447	16,969	11,880	15,406	2,970	1,500	141,086	9,137	150,223	
Office expenses	5,309	6,388	411	1,410	869	1,113	170	789	16,459	4,486	20,945	
Miscellaneous expenses	7,382	2,974	2,844	3,109	2,478	436	2,361	2,159	23,743	1,370	25,113	
Depreciation	29,924	41,464	30,227	20,482	26,534	35,311	47,364	71,249	302,555	21,641	324,196	
Total Functional Expenses	\$ 583,023	\$ 744,084	\$ 123,213	\$ 306,941	\$ 185,489	\$ 236,490	\$ 116,405	\$ 408,747	\$ 2,704,392	\$ 335,166	\$ 3,039,558	

See Independent Auditor's Report and Notes to Financial Statements.

ST. MARY'S CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 2,866,966	\$ (281,344)
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	324,196	246,006
Contributed fixed assets	(2,418,387)	(1,000)
(Increase) decrease in operating assets		
Cash in trust	(24,805)	3,885
Accounts receivable	286	594
Grants receivable	(37,398)	(8,407)
Prepaid expenses	(12,885)	20,603
Increase (decrease) in operating liabilities		
Accounts payable	(5,945)	4,542
Accrued wages payable	10,206	41,241
Accrued interest	37,612	36,516
Due to beneficiaries	24,805	715
Total Adjustments	(2,102,315)	344,695
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	764,651	63,351
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(225,102)	(41,607)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	(225,102)	(41,607)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	539,549	21,744
BEGINNING CASH AND CASH EQUIVALENTS	1,507,418	1,485,674
ENDING CASH AND CASH EQUIVALENTS	\$ 2,046,967	\$ 1,507,418
SUPPLEMENTAL DISCLOSURE		
Interest Paid	\$ 0	\$ 0

ST. MARY'S CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION

St. Mary's Center (the Organization) is a non-profit corporation governed by a Board of Trustees. The Organization's primary purpose is to provide services for low-income, multi-racial, multi-cultural people residing in West Oakland, California. The Organization provides a broad range of services including outreach and advocacy services for seniors, alcoholic and other drug counseling services for seniors, food and shelter for homeless seniors, a preschool for children aged 2-5, and a food giveaway program for low-income families. St. Mary's Center is supported primarily through donor contributions and grants. For the year ended June 30, 2017, the organization's support totaling \$2,405,015 was made up as follows: 38% from donor contributions, 53% from grants, 3% from private contracts, and 6% from program fees. Other income from special events and financial and other income totaled \$3,501,509.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of St. Mary's Center reflect the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America. Net assets are classified as unrestricted, temporarily restricted, or permanently restricted, based on the existence of donor-imposed restrictions. When a donor restriction expires (stipulated time restriction ends, or purpose restriction is accomplished) temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. St. Mary Center's unrestricted assets and temporarily restricted assets at June 30, 2017, were \$7,823,505 and \$852,230, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, St. Mary's Center considers all unrestricted investment instruments with original maturities of three months or less to be cash equivalents. St. Mary's Center utilizes various banks to deposit cash funds. As of June 30, 2017, funds at MMA California Bank & Trust exceeded the FDIC limit by \$160,268.

Depreciation and Capitalization

Capitalized property and equipment of \$1,000 and over are recorded at cost, or if donated, at fair value on the date of donation. Capitalized property is depreciated using the straight-line method over the estimated useful lives of the assets (5 years for furniture and fixtures, and vehicles; 25 years for buildings; 5 to 25 years for building improvements). Depreciation expense for the year ended June 30, 2017, was \$324,196.

Support and Revenue

St. Mary's Center receives a major portion of its revenues in the form of federal and state grants or contracts for program operations. To ensure observance of limitations and restrictions placed on the use of resources available to St. Mary's Center, the accounts are maintained in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established in accordance with their nature and purpose. Separate accounts are maintained for each fund.

ST. MARY'S CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of Revenue and Expenditures

Revenue is recorded when earned, and expenditures are recorded when incurred.

Contributions

Contributions received are considered available and unrestricted for the general program unless temporarily or permanently restricted by the donor and are reflected in net assets as such. Funds are considered temporarily restricted if the donor imposes a restriction, which will either expire by the passage of time or will be fulfilled and removed, by actions of St. Mary's Center pursuant to those stipulations. At the time of fulfillment, those contributions are removed from the temporarily restricted category and are then considered unrestricted. As to permanently restricted assets, the donor-imposed restriction stipulates that such contributions be maintained permanently, but the organization is allowed to use the income derived from such donated assets.

Contributed Services

\$1,500 of contributed legal services, for the transfer of ownership of substantially all of the assets of A Friendly Manor, have been reflected in the financial statements. Many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and California franchise tax under Section 23701(d) of the Revenue and Taxation Code. The Organization used the same accounting methods for tax and financial reporting.

Generally Accepted Accounting Principles (GAAP) provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns for years ended June 30, 2017, 2016 and 2015, are subject to examination by federal and state taxing authorities, generally for three years after they are filed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

ST. MARY'S CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CASH IN TRUST

Cash in trust is held on behalf of clients in a fiduciary capacity for purposes of managing their financial affairs. A small monthly fee is charged for this service.

NOTE 4 - INVESTMENTS

St. Mary's Center's policy is to immediately sell any stocks that are donated. The total loss on the sale of donated stocks for the year ended June 30, 2017, was \$131 (donated fair market value less sale proceeds). At June 30, 2017, the Organization had no investments requiring fair-value reporting.

NOTE 5 - FIXED ASSETS

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$ 1,717,350	\$ 0	\$ 1,717,350
Buildings	5,198,554	978,500	4,220,054
Building improvements	2,828,769	1,063,165	1,765,604
Furniture and fixtures	116,510	86,552	29,958
Vehicles	37,578	36,778	800
Total	<u>\$ 9,898,761</u>	<u>\$ 2,164,995</u>	<u>\$ 7,733,766</u>

On December 15, 2016, St. Mary's Center entered into a lease agreement with Sky Power Solar for solar energy for a one-time payment of \$53,982. The terms of the lease is 5 years with the option to purchase the equipment for \$1.00 after 6 years. Since it is St. Mary's Center's intent to purchase the solar equipment, the one-time payment of \$53,982 has been capitalized as building improvements and is being depreciated over the equipment's useful life of 25 years.

NOTE 6 – GOVERNMENT GRANTS AND CONTRACTS RECEIVABLE

Federal, State and County Grants/Contracts	\$ 301,458
California Department of Education	30,000
Total	<u>\$ 331,458</u>

NOTE 7 - MORTGAGE NOTE PAYABLE

St. Mary's Center entered into a regulatory agreement with the Department of Housing and Community Development, a public agency of the State of California for financing in the amount of \$1,000,000 beginning in November 2008. The loan is secured by a deed of trust on the property located at Brockhurst Street and San Pablo Avenue, Oakland, California. This obligation matures November 7, 2018.

The loan accrues interest at 3% per year. Accrued interest recognized at June 30, 2017, totaled \$37,612. Total accrued interest from inception of the loan equals \$291,342.

If the organization does not perform or adhere to various conditions as stated in the regulatory agreement (namely, to operate the facilities as a homeless shelter), the maturity date may be accelerated. However,

ST. MARY'S CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - MORTGAGE NOTE PAYABLE (continued)

if the organization does adhere and perform the above conditions, the Department of Housing and Community Development, a public agency of the State of California has agreed to forgive the loan and accrued interest effective November 7, 2018.

NOTE 8 – DEFINED CONTRIBUTION RETIREMENT PLAN

Eligible employees participating in an employer-sponsored retirement plan receive employer contributions equal to 3% of their pay. The project made contributions on behalf of the employees in the amount of \$40,000 for the year ended June 30, 2017

NOTE 9 – ACCRUED WAGES, VACATION AND SICK LEAVE

Wages earned but not yet paid and accumulated unpaid employee vacation benefits are recognized as accrued liabilities of St. Mary's Center. The value of accrued wages and accumulated vacation at June 30, 2017 was \$66,238 and \$47,996, respectively. However, accumulated employee sick leave benefits are not recognized as liabilities of St. Mary's Center because payment of sick leave benefits is not probable and such benefits are recorded as expenses in the period when sick leave is taken.

NOTE 10 - CONTINGENCIES

St. Mary's Center has received federal and other governmental funds for specific purposes that are subject to review and audit by the funding agencies. Such audits could generate expenditure disallowances or refunds payable under terms of the agency contracts. No material amounts are currently payable. Loss of governmental support would have a significant impact on St. Mary's Center's ability to provide its program services.

NOTE 11 – NUTRITION PROGRAMS

The contractor had one nutrition agreement with CDE for Child and Adult Care Food Programs, as reported in the *Schedule of Expenditures of Federal, State and County Awards*. However, no nutrition audit report schedules are included in the audit because (1) the audit disclosed no nutrition overpayments, underpayments, or program findings; (2) the contractor did not request reimbursement of audit costs; and (3) the audit is not a program-specific nutrition audit.

NOTE 12 – A FRIENDLY MANOR

On October 4, 2016, St. Mary's Center finalized the transfer of the change of ownership for the receipt of substantially all of the assets of A Friendly Manor, a California nonprofit corporation (C1893016). The assets transferred by A Friendly Manor to St. Mary's Center are the Oakland property with a fair value of \$2,418,387, cash of \$1,000,000, the unregistered service marks of a Friendly Manor, and the right to future funds for any fundraising activities.

NOTE 13 - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 14, 2017 the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ST. MARY'S CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND COUNTY AWARDS
YEAR ENDED JUNE 30, 2017

Grantor	Federal CFDA Number	Agency or Pass-through Number	Award Amount				Expenditures		
			Federal	State	County	Total	Federal	State	County
Department of Agriculture, Food and Nutrition Service									
Passed through from the California Department of Education:									
Child and Adult Care Food Program	10.558		\$ 5,012	\$ 0	\$ 0	\$ 5,012	\$ 5,012	\$ 0	\$ 0
Passed through from the County of Alameda:									
Alameda County Community Food Bank	10.569		8,975			8,975	8,975	-	-
			<u>13,987</u>	<u>0</u>	<u>0</u>	<u>13,987</u>	<u>13,987</u>	<u>0</u>	<u>0</u>
Department of Health and Human Services									
Passed through from the County of Alameda:									
Area Agency on Aging	93.044		23,359		3,287	26,646	23,359	-	3,287
Mental Health Services	93.958		186,372			186,372	186,372	-	-
Division of Alcohol & Drugs/AOD Primary Prevention	93.959		317,188		102,858	420,046	317,188	-	102,858
Passed through from the City of Oakland:									
Community Action Partnership (OCAP)	93.569		53,084			53,084	53,084	-	-
			<u>580,003</u>	<u>0</u>	<u>106,145</u>	<u>686,148</u>	<u>580,003</u>	<u>0</u>	<u>106,145</u>
Department of Homeland Security FEMA									
The Emergency Food and Shelter National Board Program	97.024		23,255	0	0	23,255	23,255	0	0
Department of Housing and Urban Development									
Passed through from the City of Oakland:									
PATH Housing	14.218		50,000			50,000	50,000	-	-
			<u>50,000</u>	<u>0</u>	<u>0</u>	<u>50,000</u>	<u>50,000</u>	<u>0</u>	<u>0</u>
State of California									
Passed through from the County of Alameda:									
MAA		N/A			125,974	125,974	-	-	125,974
California Department of Education State Preschool		CSPP6022		194,947		194,947	-	194,947	-
			<u>0</u>	<u>194,947</u>	<u>125,974</u>	<u>320,921</u>	<u>0</u>	<u>194,947</u>	<u>125,974</u>
County of Alameda									
BHCS Innovation - PEP Peer Elder Program		31NN227IAOA			4,400	4,400	-	-	4,400
Measure A Fall Prevention (SIPP)		900101			55,133	55,133	-	-	55,133
Measure A Medication Safety		N/A			25,143	25,143	-	-	25,143
MediCal		N/A		5,825		5,825	-	5,825	-
SSA - Emergency Winter Shelter		900101			25,000	25,000	-	-	25,000
Getting the Most out of Life		13829			38,000	38,000	-	-	38,000
Board of Supervisors		N/A			6,221	6,221	-	-	6,221
Passed through from the City of Oakland:									
PATH Shelter		86081			17,000	17,000	-	-	17,000
			<u>0</u>	<u>5,825</u>	<u>170,897</u>	<u>176,722</u>	<u>0</u>	<u>5,825</u>	<u>170,897</u>
Total			<u>\$ 667,245</u>	<u>\$ 200,772</u>	<u>\$ 403,016</u>	<u>\$ 1,271,033</u>	<u>\$ 667,245</u>	<u>\$ 200,772</u>	<u>\$ 403,016</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of Federal, State, County and City Awards includes the expenditure activity of St. Mary's Center for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Saint Mary's Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of St. Mary's Center.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as the reimbursement.

Note 3 - Indirect Cost Rate

St. Mary's Center has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

See Independent Auditor's Report and Notes to Financial Statements.

ST. MARY'S CENTER
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Total CDE Contract CSPP6022	Non-CDE Programs	Total
REVENUES			
Government grants:			
Federal grants		\$ 662,233	\$ 662,233
State of California grants		5,825	5,825
County of Alameda grants		403,016	403,016
City grants		0	0
Child care programs:			
Preschool	\$ 194,947	0	194,947
Food program	5,012	0	5,012
	<u>199,959</u>	<u>1,071,074</u>	<u>1,271,033</u>
Subtotal of government grants			
Unrestricted contributions	36,136	881,768	917,904
Private contracts	0	73,614	73,614
Program fees	0	140,964	140,964
Contributed Services	0	1,500	1,500
OTHER GAINS AND LOSSES			
Special events	0	105,745	105,745
Direct event costs	0	(26,672)	(26,672)
Net Special events	0	79,073	79,073
Interest income	0	4,080	4,080
Gain/(Loss) on sale of investments	0	(131)	(131)
Contribution income from acquisition		3,418,387	3,418,387
Other income	0	100	100
	<u>236,095</u>	<u>5,670,429</u>	<u>5,906,524</u>
EXPENSES			
Salaries	165,704	1,354,900	1,520,604
Payroll taxes	15,111	123,557	138,668
Workers' compensation	3,238	26,200	29,438
Employee benefits	29,714	207,445	237,159
Retirement contributions	3,994	36,006	40,000
Consultants	1,497	168,748	170,245
License	277	35	312
Program costs	19,253	44,988	64,241
Garden supplies & materials	0	8,626	8,626
Telephone & utilities	5,604	75,763	81,367
Dues & subscriptions	231	6,994	7,225
Staff training	1,995	2,531	4,526
Auto & travel	0	8,621	8,621
Repairs & maintenance	11,370	89,977	101,347
Insurance	3,557	35,969	39,526
Interest expense	0	37,612	37,612
Real estate taxes	1,007	1,877	2,884
Printing & copying	2,183	20,391	22,574
Postage	236	3,870	4,106
Legal & accounting	16,969	133,254	150,223
Office expenses	1,410	19,535	20,945
Miscellaneous expenses	3,109	22,004	25,113
Depreciation	20,482	303,714	324,196
	<u>306,941</u>	<u>2,732,617</u>	<u>3,039,558</u>
TOTAL EXPENSES			
CHANGE IN NET ASSETS	<u>\$ (70,846)</u>	<u>\$ 2,937,812</u>	2,866,966
NET ASSETS AT BEGINNING OF YEAR			<u>5,808,769</u>
NET ASSETS AT END OF YEAR			<u>\$ 8,675,735</u>

See Independent Auditor's Report and Notes to Financial Statements.

ST. MARY'S CENTER
SCHEDULE OF EXPENDITURES BY STATE CATEGORIES
FOR CHILD DEVELOPMENT SERVICES
JUNE 30, 2017

Program Name	Preschool
Contract Number	CSPP6022
Contract Period	July 1, 2016 - June 30, 2017
Salaries, Certified	\$ 158,738
Salaries, Classified	0
Payroll taxes	15,111
Workers' compensation	3,238
Employee benefits	29,714
Retirement contributions	3,994
Consultants	1,497
License	277
Program costs	4,374
Telephone	0
Utilities	5,604
Dues & subscriptions	231
Staff training	834
Auto & travel	0
Repairs & maintenance	11,370
Insurance	3,557
Interest expense	0
Real estate taxes	1,007
Printing & copying	2,183
Postage & delivery	236
Legal & accounting	16,969
Office expenses	1,410
Miscellaneous expenses	3,109
Depreciation	20,482
Total expenditures submitted to contracts	<u>283,935</u>
Amount reimbursed by the State of California	
Preschool - Contract amount	194,947
Food program	0
Amount reimbursed by Federal	
Food program	<u>5,012</u>
Total reimbursements	<u>199,959</u>
(Deficit)	\$ (83,976)

Note:

We have examined the claims filed for reimbursement and the original records supporting the transactions recorded under the contract listed above to an extent considered necessary to assure ourselves that the amounts claimed by the contractor were eligible for reimbursement, reasonable, necessary, and adequately supported, according to governing laws, regulations, and contract provisions.

ST. MARY'S CENTER
 SCHEDULES OF REIMBURSABLE EXPENDITURES FOR
 CHILD DEVELOPMENT SERVICES
 JUNE 30, 2017

Schedule of Reimbursable Expenditures for Renovations and Repairs

	Total	CSPP6022
<u>Unit Cost Under \$10,000 Per Item</u>		
NONE	\$ 0	\$ 0
<u>Unit Cost \$10,000 or More Per Item With Prior Written Approval</u>		
NONE	0	0
<u>Unit Cost \$10,000 or More Per Item Without Prior Written Approval</u>		
NONE	0	0
Total	\$ 0	\$ 0

Schedule of Reimbursable Equipment Expenditures

	Total	CSPP6022
<u>Unit Cost Under \$7,500 Per Item</u>		
NONE	\$ 0	\$ 0
<u>Unit Cost Over \$7,500 Per Item With Prior Written Approval</u>		
NONE	0	0
<u>Unit Cost Over \$7,500 Per Item Without Prior Written Approval</u>		
NONE	0	0
Total	\$ 0	\$ 0

Schedule of Reimbursable Administrative Costs

Reimbursable Administrative Costs	Total	CSPP6022
Salaries		
Employee benefits		
Books and supplies		
Services and other operating expense	\$ 26,469	\$ 16,169
Depreciation on non-CDE-funded assets used in program	20,482	12,512
Indirect costs	21,538	13,157
Total	\$ 68,489	\$ 41,838

Note: Schedule of Reimbursable Administrative Costs

Reimbursement of administrative costs shall not exceed 15 percent of Total Expenses Claimed for Reimbursement less Child Nutrition Program Income or actual administrative costs, whichever is less.

AUDITED ATTENDANCE AND FISCAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs

Agency Name: St. Mary's Center Vendor No. Q991

Fiscal Year Ended: June 30, 2017 Contract No. CSP6022

Independent Auditor's Name: Holden & Company LLP

SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Three and Four Year Olds</i>					
Full-time-plus			-	1.1800	-
Full-time			-	1.0000	-
Three-quarters-time			-	0.7500	-
One-half-time	7,565	(3)	7,562	0.6196	4,685.415
<i>Exceptional Needs</i>					
Full-time-plus			-	1.4160	-
Full-time			-	1.2000	-
Three-quarters-time			-	0.9000	-
One-half-time			-	0.6196	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus			-	1.2980	-
Full-time			-	1.1000	-
Three-quarters-time			-	0.8250	-
One-half-time			-	0.6196	-
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus			-	1.2980	-
Full-time			-	1.1000	-
Three-quarters-time			-	0.8250	-
One-half-time			-	0.6196	-
<i>Severely Disabled</i>					
Full-time-plus			-	1.7700	-
Full-time			-	1.5000	-
Three-quarters-time			-	1.1250	-
One-half-time			-	0.6196	-
TOTAL DAYS OF ENROLLMENT	7,565	(3)	7,562		4,685.415
DAYS OF OPERATION	181		181		
DAYS OF ATTENDANCE	7,565		7,565		



Comments - If necessary, attach additional sheets to explain adjustments:

**AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs**

Agency Name: St. Mary's Center Vendor No. Q991

Fiscal Year End: June 30, 2017 Contract No. CSPP6022

	COLUMN A	COLUMN B	COLUMN C
	<small>CUMULATIVE FISCAL YEAR PER FORM CDFS 8501</small>	<small>AUDIT ADJUSTMENT INCREASE OR (DECREASE)</small>	<small>CUMULATIVE FISCAL YEAR PER AUDIT</small>
SECTION III - REVENUE			
RESTRICTED INCOME			
Child Nutrition Programs		\$5,012	\$5,012
County Maintenance of Effort (EC § 8279)			0
Uncashed Checks to Providers			0
Other (Specify):			0
Other (Specify):			0
Subtotal	\$0	\$5,012	\$5,012
Transfer from Reserve - General			0
Transfer from Reserve - Professional Development			0
Subtotal	\$0	\$0	\$0
Family Fees for Certified Children			0
Interest Earned on Apportionments			0
UNRESTRICTED INCOME			
Family Fees for Noncertified Children			0
Head Start Program (EC § 8235(b))			0
Other (Specify):	689	(689)	0
Other (Specify):			0
TOTAL REVENUE	\$689	\$4,323	\$5,012

SECTION IV - REIMBURSABLE EXPENSES			
<i>Direct Payments to Providers (FCCH Only)</i>			\$0
1000 Certificated Salaries	120,823	53,026	173,849
2000 Classified Salaries	3,850	(3,850)	0
3000 Employee Benefits	38,241	(1,295)	36,946
4000 Books and Supplies	50,206	(45,555)	4,651
5000 Services and Other Operating Expenses		26,469	26,469
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)			0
6500 Replacement Equipment (program-related)			0
Depreciation or Use Allowance		20,482	20,482
Start-Up Expenses (service level exemption)			0
Budget Impasse Credit			0
Indirect Costs Rate: 8.90% (Rate is Self-Calculating)	19,331	2,207	21,538
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$232,451	\$51,484	\$283,935
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$36,634	\$5,204	\$41,838

FOR CDE-A&I USE ONLY:

Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Early Education and Support Division:

Eligibility, enrollment, and attendance records are being maintained as required (check YES or NO):

YES
 NO

Reimbursable expenses claimed above are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO):

YES
 NO

COMMENTS - If necessary, attach additional sheets to explain adjustments:

Adjustments were made to reconcile expenses to the Agency's general ledger at FYE June 30, 2017 less expenses not pertaining to the CDE award that the agency identified, and adjustments were made to reflect proper classification of expenses.

**AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs**

Agency Name: St. Mary's Center Vendor No. Q991

Fiscal Year End: June 30, 2017 Contract No. CSP6022

SECTION V - SUPPLEMENTAL REVENUE	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
Enhancement Funding			\$0
Other (Specify): Other Revenue		36,136	36,136
Other (Specify):			0
Other (Specify):			0
TOTAL SUPPLEMENTAL REVENUE	\$0	\$36,136	\$36,136

SECTION VI - SUPPLEMENTAL EXPENSES

EXPENSES RELATED TO SUPPLEMENTAL REVENUE	COLUMN A	COLUMN B	COLUMN C
1000 Certificated Salaries		\$6,966	\$6,966
2000 Classified Salaries			0
3000 Employee Benefits			0
4000 Books and Supplies		14,879	14,879
5000 Services and Other Operating Expenses		1,161	1,161
6000 Equipment/Other Capital Outlay			0
Depreciation or Use Allowance			0
Indirect Costs			0
NONREIMBURSABLE EXPENSES			
6100-6500 Nonreimbursable Capital Outlay			0
Other: e.g., Entertainment Expenses			0
Other (Specify):			0
Other (Specify):			0
TOTAL SUPPLEMENTAL EXPENSES	\$0	\$23,006	\$23,006

COMMENTS - If necessary, attach additional sheets to explain adjustments:

Adjustments were made to reflect revenue received and expenses incurred that were not pertaining to the CDE award.

ST. MARY'S CENTER
 SCHEDULE OF FINDING AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2017

SECTION I – SUMMARY OF AUDITOR'S RESULTS

<i>Financial Statements</i>		
Type of auditor's report issued:	<i>Unmodified</i>	
Type of auditor's report Supplementary Information:	<i>Unmodified</i>	
Internal control over financial reporting:	YES:	NO:
• Material weakness identified?		X
• Significant deficiency identified that is not considered to be a material weakness?		None reported
Noncompliance material to financial statements noted?		X

SECTION II – FINANCIAL STATEMENT FINDINGS

Current year financial statement findings:

None

SECTION III – FEDERAL AND STATE AWARDS

Current year federal and state awards findings:

None

Holden & Company LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT 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*

The Board of Directors
St. Mary's Center
Oakland, California

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. Mary's Center, (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Mary's 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. Mary's Center's internal control. Accordingly, we do not express an opinion on the effectiveness of St. Mary's 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 weakness. However, material weaknesses may exist that have not been identified.

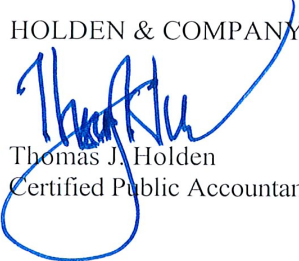
Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Mary's 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 results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLDEN & COMPANY LLP



Thomas J. Holden
Certified Public Accountant

San Rafael, California
November 14, 2017

Holden & Company LLP

Certified Public Accountants

To the Board of Directors
St. Mary's Center
Oakland, CA

We have audited the financial statements of St. Mary's Center for the year ended June 30, 2017, and have issued our report thereon dated November 14, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 8, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by St. Mary's Center are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2017. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation expense is based on the capitalization policy used by the Organization. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

Disclosure of the mortgage note payable in Note 7 to the financial statements: St. Mary's Center entered into a regulatory agreement with the Department of Housing and Community Development, a public agency of the State of California for financing in the amount of \$1,000,000 beginning in November 2008. The loan is secured by a deed of trust on the property located at Brockhurst Street and San Pablo Avenue, Oakland, California. This obligation matures November 7, 2018.

The loan accrues interest at 3% per year. Accrued interest recognized at June 30, 2017 totaled \$37,612. Total accrued interest from inception of the loan equals \$291,342.

If the organization does not perform or adhere to various conditions as stated in the regulatory agreement (namely, to operate the facilities as a homeless shelter), the maturity

date may be accelerated. However, if the organization does adhere and perform the above conditions, the Department of Housing and Community Development, a public agency of the State of California has agreed to forgive the loan and accrued interest effective November 7, 2018.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatement detected as a result of audit procedures were corrected by management: the recording of the transfer of the assets of A Friendly Manor for \$3,418,387 originally recorded to net assets was adjusted and recorded on the Statement of Activities.

Disagreements with Management

For purposes of this letter, a disagreement with management is financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 14, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our review of the CDE's Attendance and Fiscal Reports in the current year and prior year, we made adjustments on the June 30, 2017 Audited Attendance and Fiscal Report to reconcile expenses to the June 30, 2017 general ledger less expenses not pertaining to the CDE award that were identified by the client, and we made adjustments to reflect proper classification of expenses.

Management's Response: Management is continuing to implement steps to ensure that the CDE's Attendance and Fiscals Reports are properly and accurately reflected.

During the audit, we noted that St. Mary's Center has client funds from A Friendly Manor that are held in an operating account. Informed Management that these funds should be maintained in a separate interest bearing account.

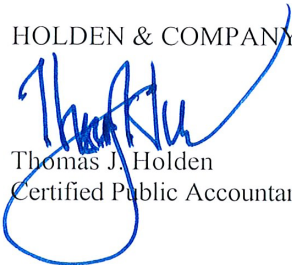
Other Information in Documents Containin g Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements (See Other Audit Findings and Issues). We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the board of directors and management of St. Mary's Center and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

HOLDEN & COMPANY LLP



Thomas J. Holden
Certified Public Accountant

San Rafael, CA
November 14, 2017