

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2014 with Comparative Totals
for the Year Ended June 30, 2013

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

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SECTION I
FINANCIAL SECTION
FINANCIAL STATEMENTS

FOUNDERS

Alexander W. Berger (1916-2005)
Griffith R. Lewis (1930-2012)

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sacred Heart Community Service
(A California Nonprofit Public Benefit Corporation)
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of Sacred Heart Community Service (a California nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 Sacred Heart Community Service as of June 30, 2014, 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 Sacred Heart Community Service's financial statements for the year ended June 30, 2013, and we expressed an unmodified opinion on those audited financial statements in our report dated October 17, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, 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 supplemental statements of revenue and expenditures, as required by the California Department of Community Services and Development (CSD), are presented for purposes of additional analysis and are not a required part of the financial statements. Also, the accompanying schedule of expenditures of federal and other governmental awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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 December 30, 2014, on our consideration of Sacred Heart Community Service'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 Sacred Heart Community Service's internal control over financial reporting and compliance.



BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
December 30, 2014

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION

June 30, 2014 with Comparative Totals as of June 30, 2013

ASSETS

	2014	2013
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 518,201	\$ 116,415
Grants Receivable	910,373	1,392,108
Current Portion of Unconditional Promises to Give, Net	17,276	1,424
Inventory	323,624	265,792
Prepaid Expenses and Other	132,721	148,973
Total Current Assets	1,902,195	1,924,712
PROPERTY AND EQUIPMENT, NET	4,494,202	4,607,504
OTHER ASSETS:		
Unconditional Promises to Give, Net	30,000	-
Restricted Cash for Facility Improvements	485,679	547,747
Investments Held for Endowment Purposes	816,408	792,379
Total Other Assets	1,332,087	1,341,550
TOTAL ASSETS	\$ 7,728,484	\$ 7,872,342

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts Payable	\$ 121,017	\$ 129,349
Accrued Liabilities	410,404	462,329
Deferred Revenue	317,377	273,744
Line of Credit	150,000	500,000
Total Current Liabilities	998,798	1,365,422
NET ASSETS:		
Unrestricted Net Assets:		
Board Designated Operating Reserve Fund	384,833	150,045
Board Designated Endowment Fund	242,116	234,989
Property and Equipment Fund	4,494,202	4,607,504
Total Unrestricted Net Assets	5,121,151	4,992,538
Temporarily Restricted Net Assets	1,147,090	1,052,937
Permanently Restricted Net Assets	461,445	461,445
Total Net Assets	6,729,686	6,506,920
TOTAL LIABILITIES AND NET ASSETS	\$ 7,728,484	\$ 7,872,342

The Accompanying Notes are an Integral Part of these Financial Statements.

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014 with Comparative Totals for the Year Ended June 30, 2013

	2014			2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL	TOTAL
SUPPORT AND REVENUE:					
Contributions In-Kind	\$ 9,371,243	\$ -	\$ -	\$ 9,371,243	\$ 9,592,398
Government Grants - Cash	4,576,628	-	-	4,576,628	5,029,116
Contributions	2,494,761	373,769	-	2,868,530	2,549,317
Government Grants - Food	862,936	-	-	862,936	1,664,385
United Way	183,800	-	-	183,800	125,118
Endowment Investment Income, Net	29,745	70,554	-	100,299	59,353
Operating Interest Income	6,549	-	-	6,549	6,789
Miscellaneous Income	-	-	-	-	1,500
Loss on Disposal of Equipment	(942)	-	-	(942)	-
Special Events, Net of Expenses of \$18,679)	(13,751)	-	-	(13,751)	-
Total Support and Revenue	17,510,969	444,323	-	17,955,292	19,027,976
Net Assets Released from Restrictions	350,170	(350,170)	-	-	-
Total Support, Revenue and Net Assets Released from Restrictions	17,861,139	94,153	-	17,955,292	19,027,976
EXPENSES:					
Program Services:					
Essential Services	11,172,229	-	-	11,172,229	12,262,999
Self-Sufficiency	1,383,704	-	-	1,383,704	1,287,368
Policy and Organizing	333,775	-	-	333,775	343,147
Community Outreach and Education	360,665	-	-	360,665	369,644
Financial and Energy Assistance	3,230,113	-	-	3,230,113	3,589,817
Total Program Services	16,480,486	-	-	16,480,486	17,852,975
Supporting Services:					
Management and General	746,046	-	-	746,046	821,688
Fundraising	505,994	-	-	505,994	434,760
Total Supporting Services	1,252,040	-	-	1,252,040	1,256,448
Total Expenses	17,732,526	-	-	17,732,526	19,109,423
CHANGE IN NET ASSETS (SEE NOTE 3)	128,613	94,153	-	222,766	(81,447)
NET ASSETS, Beginning of Year	4,992,538	1,052,937	461,445	6,506,920	6,588,367
NET ASSETS, End of Year	\$ 5,121,151	\$ 1,147,090	\$ 461,445	\$ 6,729,686	\$ 6,506,920

The Accompanying Notes are an Integral Part of these Financial Statements.

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2014 with Comparative Totals for the Year Ended June 30, 2013

	PROGRAM SERVICES						SUPPORTING SERVICES			TOTALS	
	Essential Services	Self-Sufficiency	Policy and Organizing	Community Outreach and Education	Financial and Energy Assistance	Total	Management and General	Fundraising	Total	2014	2013
EXPENSES:											
Salaries	\$ 548,746	\$ 888,343	\$ 229,871	\$ 235,257	\$ 1,493,001	\$ 3,395,218	\$ 427,417	\$ 248,545	\$ 675,962	\$ 4,071,180	\$ 4,104,331
Employee Benefits	96,245	155,807	40,317	41,262	261,858	595,489	74,963	43,592	118,555	714,044	671,363
Payroll Taxes	40,840	66,115	17,108	17,509	111,116	252,688	31,810	18,498	50,308	302,996	305,382
Total Salaries and Related Expenses	685,831	1,110,265	287,296	294,028	1,865,975	4,243,395	534,190	310,635	844,825	5,088,220	5,081,076
Donated Food	6,245,844	-	-	-	-	6,245,844	-	-	-	6,245,844	6,760,593
Donated Clothing	3,711,741	-	-	-	-	3,711,741	-	-	-	3,711,741	4,099,751
LIHEAP and Weatherization	-	-	558	-	813,485	814,043	-	-	-	814,043	891,371
Assistance to Individuals	163,312	67,300	3,393	2,283	159,740	396,028	-	-	-	396,028	676,420
Professional Services	259	14,993	2,038	10,301	155,427	183,018	89,237	12,554	101,791	284,809	216,260
Donated Toys, Bedding, Educational Materials and Gift Cards	256,891	-	-	-	-	256,891	-	-	-	256,891	322,276
Office Expenses	11,229	19,163	4,704	4,814	41,936	81,846	9,142	7,126	16,268	98,114	85,711
Postage and Shipping	34	656	14	67	20,380	21,151	761	59,988	60,749	81,900	58,358
Utilities	10,079	16,316	4,222	4,321	27,421	62,359	7,850	4,565	12,415	74,774	62,438
Supplies	10,419	38,753	700	2,745	11,258	63,875	4,691	5,446	10,137	74,012	72,179
Printing and Publications	224	-	-	223	447	447	3,913	63,706	67,619	68,066	59,041
Repairs and Maintenance	11,686	14,850	2,952	3,022	19,176	51,686	5,492	3,192	8,684	60,370	60,932
Insurance	4,990	8,077	2,090	2,139	13,575	30,871	14,484	2,260	16,744	47,615	35,579
Telephone	5,167	8,365	2,165	2,215	14,058	31,970	4,025	2,340	6,365	38,335	55,199
Bank Charges	-	-	-	-	-	-	18,037	17,974	36,011	36,011	32,129
Technology Support	3,596	5,821	2,406	4,842	9,784	26,449	2,801	1,629	4,430	30,879	17,418
Miscellaneous	866	4,613	5,432	1,164	1,242	13,317	13,465	2,527	15,992	29,309	19,643
Subcontracts	21,965	5,000	-	-	-	26,965	-	-	-	26,965	24,435
Temporary Help	-	12,174	-	-	3,180	15,354	7,051	-	7,051	22,405	124,737
Travel and Transportation	202	10,398	2,241	484	2,413	15,738	3,095	191	3,286	19,024	27,766
Professional Development	2,260	5,463	2,827	1,581	1,320	13,451	2,674	201	2,875	16,326	25,222
Volunteer Expenses	-	-	-	15,447	-	15,447	-	-	-	15,447	29,432
Office Rent	1,676	2,713	702	718	4,560	10,369	1,305	759	2,064	12,433	31,088
Membership Dues	-	-	-	-	-	-	2,814	-	2,814	2,814	8,612
Conferences and Meetings	-	-	-	-	-	-	1,555	50	1,605	1,605	1,457
Bad Debt	-	-	-	-	-	-	804	-	804	804	38,754
Total Expenses Before Depreciation	11,148,271	1,344,920	323,740	350,394	3,164,930	16,332,255	727,386	495,143	1,222,529	17,554,784	18,917,877
Depreciation	23,958	38,784	10,035	10,271	65,183	148,231	18,660	10,851	29,511	177,742	191,546
Total Functional Expenses	\$ 11,172,229	\$ 1,383,704	\$ 333,775	\$ 360,665	\$ 3,230,113	\$ 16,480,486	\$ 746,046	\$ 505,994	\$ 1,252,040	\$ 17,732,526	\$ 19,109,423
Percentage of Total	63.0 %	7.8 %	1.9 %	2.0 %	18.2 %	92.9 %	4.2 %	2.9 %	7.1 %	100.0 %	

The Accompanying Notes are an Integral Part of these Financial Statements.

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
(Continued)

Year Ended June 30, 2014 with Comparative Totals for the Year Ended June 30, 2013

	PROGRAM SERVICES					SUPPORTING SERVICES			TOTALS		
	Essential Services	Self-Sufficiency	Policy and Organizing	Community Outreach and Education	Financial and Energy Assistance	Total	Management and General	Fundraising	Total	2014	2013
Total Functional Expenses	\$ 11,172,229	\$ 1,383,704	\$ 333,775	\$ 360,665	\$ 3,230,113	\$ 16,480,486	\$ 746,046	\$ 505,994	\$ 1,252,040	\$ 17,732,526	\$ 19,109,423
Donated Items Excluded	(10,214,476)	-	-	-	-	(10,214,476)	-	-	-	(10,214,476)	(11,182,620)
Total Functional Expenses Excluding Donated Items	\$ 957,753	\$ 1,383,704	\$ 333,775	\$ 360,665	\$ 3,230,113	\$ 6,266,010	\$ 746,046	\$ 505,994	\$ 1,252,040	\$ 7,518,050	\$ 7,926,803
Percentage of Total	12.7 %	18.4 %	4.4 %	4.8 %	43.0 %	83.3 %	9.9 %	6.8 %	16.7 %	100.0 %	

The Accompanying Notes are an Integral Part of these Financial Statements.

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS

Year Ended June 30, 2014 with Comparative Totals for the Year Ended June 30, 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 222,766	\$ (81,447)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	177,742	191,546
Government Grants - Food	(862,936)	(1,664,385)
In-Kind Contributions of Food, Clothing, Toys, Bedding, Educational Materials and Gift Cards	(9,371,243)	(9,592,398)
Distribution of Donated Food, Clothing, Toys, Bedding, Educational Materials and Gift Cards	10,214,476	11,182,620
Net Realized and Unrealized Gain on Investments	(83,012)	(41,556)
Loss on Disposal of Equipment	942	-
(Increase) Decrease in Assets:		
Grants Receivable	481,735	(66,599)
Inventory	(38,127)	(6,380)
Prepaid Expenses and Other	16,250	(41,100)
Unconditional Promises to Give	(45,852)	1,968
Deposits	-	9,874
Increase (Decrease) in Liabilities:		
Accounts Payable	(8,332)	(162,066)
Accrued Liabilities	(51,925)	115,473
Deferred Revenue	43,633	39,486
	<u>696,117</u>	<u>(114,964)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in Restricted Cash for Facility Improvements	62,068	22,839
Purchase of Property and Equipment	(65,382)	(41,379)
Proceeds from Sale of Endowment Fund Investments	111,345	169,893
Purchase of Endowment Fund Investments	(52,362)	(187,691)
	<u>55,669</u>	<u>(36,338)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Line of Credit	300,000	925,000
Payments of Line of Credit	(650,000)	(700,000)
	<u>(350,000)</u>	<u>225,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	401,786	73,698
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>116,415</u>	<u>42,717</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 518,201</u>	<u>\$ 116,415</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash Paid for Interest	<u>\$ 8,518</u>	<u>\$ 4,857</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION:

Sacred Heart Community Service (the "Organization"), is a California nonprofit public benefit corporation founded in 1964 to provide assistance and support to the community in San Jose, California. The Organization offers essential services, including food and clothing, tools for developing self-sufficiency, such as education programs, employment support, and financial education, and opportunities for community engagement and action, including volunteer programs and community advocacy. The Organization provides these services free of charge to over 75,000 individuals each year. The Organization's vision is a community united to ensure that every child and adult is free from poverty.

NOTE 2 - PROGRAM SERVICES:

Sacred Heart Community Service offers the following program services:

ESSENTIAL SERVICES

- **Welcome Center:** Main registration area for the Organization, providing resource referral and information. The Welcome Center also distributes newborn layettes to pregnant customers.
- **Louise's Pantry:** Named for the Organization's founder, provides a 3-day supplemental supply of food twice per month, to customers within specified zip code areas.
- **Gracie's Clothes Closet:** Named for a long-time Clothes Closet volunteer, provides gently used clothing, blankets, and linens to customers, twice per month.

SELF-SUFFICIENCY PROGRAMS

Youth Education

- **Early Childhood Education (ECE):** Preschool classes for children 3 to 5 years of age; parents of ECE children are usually enrolled in POPS or other adult education classes.
- **Homework Club:** After school learning, outreach and enrichment program for children from grades 1-8; tutoring and homework time; organized activities and field trips; protein and fruit snacks provided each day.
- **Academic Summer Day Camp:** Summer Camp with an academic focus for children entering grades 4-8; designed to enrich their summer with learning and prepare them for the coming school year; weekly field trips; afternoon enrichment activities.

Adult Education

- **Computer Classes:** Classes taught at varied skill levels are offered in both English and Spanish.
- **Parents of Preschoolers (POPS) - ESL Parenting Classes:** Classes that teach parents of young children different approaches to parenting and child development with a focus on teaching basic English skills that parents need to communicate with their child's physician, teacher, etc.
- **Families Unidas con las Escuelas (Families United with the Schools):** A national best practice curriculum developed by Mexican America Legal Defense & Education Fund (MALDEF), the series of 12 parent workshops help parents learn how to navigate the public school system and to become an effective advocate for their child's education. Parents whose children attend Sacred Heart Community Service's Homework Club are required to complete the series.

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 2 - PROGRAM SERVICES (Continued):

Economic and Family Self-Sufficiency

- **Family Support:** Provides one-on-one mentoring/coaching, advocacy, and direct services to facilitate leadership development and empower low-income families to achieve healthy relationships with self, family, and community. Services include case management and home visitation, educational workshops and parent support groups.
- **JobLink Employment Services:** Assists job-seekers to secure employment by providing them with support and resources that empower them to become economically self-sufficient. Services include individualized assessment, job readiness and skills development workshops, vocational counseling, financial education, and a job interview clothes closet.
- **La Mesa Verde:** Works with low-income families to build organic home gardens to grow healthy food.
- **Asset Building for Independence:** Provides individuals and families with concrete pathways to economic self sufficiency through financial educational classes, individualized coaching, and income tax assistance. Programs include: Volunteer Income Tax Assistance (VITA), financial education workshops, public benefits eligibility screening and enrollment, Individualized Development Accounts (IDAs), and individualized credit coaching.
- **Colectivo de Lideres:** Identify, train and deploy leaders from within the community of people receiving services from the Organization in order to build stronger families that become advocates for their children's and their own education, create teachers for urban organic gardening techniques, and train mentors for financial success.

FINANCIAL AND ENERGY ASSISTANCE PROGRAMS

- **Low-Income Home Energy Assistance Program:** Provides assistance to help pay utility bills and avoid energy-related crises for households that are experiencing financial hardship.
- **Weatherization Assistance Program:** Promotes energy-efficiency in dwellings occupied by low-income households in order to reduce their monthly energy bill. Weatherizes homes by replacing old appliances, upgrading insulation and venting, installing low-flow shower heads and weather stripping windows and doors.
- **Financial Assistance:** Provides one-time financial assistance for security deposits, past due rent or other emergency needs to stabilize housing and prevent homelessness.

POLICY AND ORGANIZING

- Promotes leadership development and civic engagement to help low-income residents become effective advocates for themselves and their community; engages public officials, neighbors, and community allies in actions that address the root causes of poverty.

COMMUNITY OUTREACH AND EDUCATION

- **Volunteer Office:** Engages community members and customers in structured volunteer service at Sacred Heart Community Service.
 - **Outreach and Education:** Reaches out to the community to engage and educate people about poverty and potential solutions to poverty in Santa Clara County. Includes educational classes and immersion programs.
-

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 3 - CHANGE IN NET ASSETS:

During the year ended June 30, 2013, Sacred Heart Community Service experienced an operational loss of \$200,276 as noted in the "Unrestricted" column of the Statement of Activities. A significant amount of the loss can be attributed to depreciation.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Change in Net Assets	\$ (200,276)	\$ 118,829	\$ -	\$ (81,447)
Add Depreciation Expense	191,546	-	-	191,546
Change in Net Assets Excluding Depreciation	\$ (8,730)	\$ 118,829	\$ -	\$ 110,099

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting - The financial statements of Sacred Heart Community Service have been prepared on the accrual basis of accounting.

Basis of Presentation - The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations. In accordance with generally accepted accounting principles, the Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund, property and equipment fund plus any net assets designated by the Board for specific purposes. The Organization has elected to report as an increase in unrestricted net assets any restricted support received in the current period for which the restrictions have been met in the current period.

Temporarily restricted net assets include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting period.

Permanently restricted net assets include those assets which are subject to a non-expiring donor restriction, such as endowments.

Comparative Financial Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Fair Value Measurements - Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Grants Receivable - The Organization considers all grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. Grants receivable include both billed receivables and unbilled receivables (see Note 5).

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Promises to Give - Unconditional promises to give, less an allowance for doubtful amounts, are recognized as contribution support in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. A provision for losses on receivables is made when considered necessary to maintain an adequate allowance to cover bad debts. Receivables are charged against the allowance when the Organization determines that payments will not be received. Any subsequent receipts are credited to the allowance. The Organization estimates the allowance for uncollectible amounts as of June 30, 2014 and 2013, to be \$5,254 and \$4,450, respectively. Promises are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Inventory - Inventory consists primarily of donated food and clothing. Donated food was valued at \$1.72 per pound and \$1.69 per pound for the years ended June 30, 2014 and 2013, respectively. This valuation is based on a cost study conducted for Feeding America (formerly America's Second Harvest). Donated clothing was valued based on published studies performed on eBay sales of used clothing, toys and other household items titled "It's Deductible - Tax Year 2014 and 2013 Software" (see Note 15).

Property and Equipment - Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over \$500 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 39 years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Accrued Vacation - Accrued vacation represents vacation earned, but not taken as of June 30, 2014 and 2013, and is included in "accrued liabilities" in the statement of financial position. The accrued vacation balance as of June 30, 2014 and 2013 was \$165,974 and \$145,527, respectively.

Revenue Recognition - The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" are recognized as revenue in the period in which the service is provided.

Contributions - Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions and depending on whether the restrictions are met in the current fiscal period. Restricted contributions are reported as increases in unrestricted net assets if the restrictions have been met in the current fiscal period. If the restriction has not been met by fiscal year end, the amount is reported as an increase in temporarily or permanently restricted net assets. When the restriction is finally met on a contribution received in a prior fiscal period, the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

SACRED HEART COMMUNITY SERVICE
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Contributions In-Kind - Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation (see Note 15). Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. While these contributed services are not reflected in the financial statements the estimated value of these services is disclosed in Note 15.

Expense Allocation - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect expense allocations are based on the related salary expense.

Income Taxes - Sacred Heart Community Service is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

Uncertainty in Income Taxes - Generally accepted accounting principles provide 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 federal returns for the years ended June 30, 2013, 2012 and 2011 could be subject to examination by federal taxing authorities, generally for three years after they are filed. The Organization's state returns for the years ended June 30, 2013, 2012, 2011 and 2010 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Advertising - Advertising costs are charged to operations when incurred. There were no advertising costs for the years ended June 30, 2014 and 2013.

Reclassifications - Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

Subsequent Events - Management of the Organization has evaluated events and transactions subsequent to June 30, 2014 for potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that required recognition or disclosure in the financial statements for the fiscal year ended June 30, 2014. Subsequent events have been evaluated through the date the financial statements became available to be issued, December 30, 2014.

SACRED HEART COMMUNITY SERVICE
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 - GRANTS RECEIVABLE:

Grants receivable as of June 30, consisted of the following:

	<u>2014</u>	<u>2013</u>
Billed Receivables	\$ 751,549	\$ 1,340,520
Unbilled Receivables	<u>158,824</u>	<u>51,588</u>
Total Grants Receivable	<u>\$ 910,373</u>	<u>\$ 1,392,108</u>

NOTE 6 - INVENTORY:

Inventory consists of donated food and non-food items, and purchased non-food items. Goods donated to Sacred Heart Community Service are valued at their estimated fair value and recognized as support in the statement of activities. Donated goods remaining in inventory at year end are also recorded at their estimated fair value. The estimated fair value of contributed goods received for the years ended June 30, 2014 and 2013 was \$10,234,179 and \$11,256,783, respectively.

In accordance with generally accepted accounting principles all donated goods inventory is classified as Level 2 inventory and all purchased inventory is classified as Level 1 inventory (see Note 4).

Inventory as of June 30, consisted of the following:

	<u>2014</u>	<u>2013</u>
Donated Food - Government	\$ 36,539	\$ 26,264
Donated Food - Non-Government	129,548	93,119
Donated Clothing	53,029	86,311
Purchased Weatherization	92,013	53,030
Donated Gift Cards	<u>12,495</u>	<u>7,068</u>
Total Inventory	<u>\$ 323,624</u>	<u>\$ 265,792</u>

SACRED HEART COMMUNITY SERVICE
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 7 - PROPERTY AND EQUIPMENT:

The cost and related accumulated depreciation of the property and equipment as of June 30, consisted of the following:

	<u>2014</u>	<u>2013</u>
Building and Improvements	\$ 4,629,607	\$ 4,571,164
Land	1,694,354	1,694,354
Furniture and Equipment	410,811	405,533
Vehicles	<u>163,495</u>	<u>163,495</u>
	6,898,267	6,834,546
Less: Accumulated Depreciation	<u>(2,404,065)</u>	<u>(2,227,042)</u>
Property and Equipment, Net	<u>\$ 4,494,202</u>	<u>\$ 4,607,504</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$177,742 and \$191,546, respectively.

NOTE 8 - RESTRICTED CASH FOR FACILITY IMPROVEMENTS:

Restricted cash for facility improvements at June 30, 2014 and 2013, consisted of contributions received for the construction and improvements of Sacred Heart Community Service's facility and are invested in short-term interest-bearing cash deposits. Under the terms of the related donations, these funds are considered temporarily restricted until they have been disbursed for facility improvements.

NOTE 9 - INVESTMENTS HELD FOR ENDOWMENT PURPOSES:

Investments held for endowment purposes consist of contributions to Sacred Heart Community Service's Board Designated and Donor Restricted Endowment Funds.

	<u>2014</u>	<u>2013</u>
Equity Securities	\$ 410,048	\$ 389,349
Corporate Debt Obligations	288,249	299,228
Cash Equivalents	<u>118,111</u>	<u>103,802</u>
Total Investments Held for Endowment Purposes at Fair Values	<u>\$ 816,408</u>	<u>\$ 792,379</u>

SACRED HEART COMMUNITY SERVICE
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 9 - INVESTMENTS HELD FOR ENDOWMENT PURPOSES (Continued):

Endowment investment income for the years ended June 30, consisted of the following:

	2014	2013
Endowment Investment Income, Net:		
Interest / Dividend Income	\$ 22,976	\$ 23,542
Net Realized and Unrealized Gain	83,012	41,556
Fees	(5,689)	(5,745)
Endowment Investment Income, Net	\$ 100,299	\$ 59,353

NOTE 10 - LINE OF CREDIT:

The Organization has a \$1,000,000 line of credit with Comerica Bank. The line of credit is due on demand and is secured by substantially all the assets of the Organization and bears interest at a per annum rate equal to the Prime Referenced Rate plus the Applicable Margin of 0.35% per annum. As of June 30, 2014 and 2013, \$150,000 and \$500,000 amounts were outstanding on the line of credit.

NOTE 11 - BOARD DESIGNATED NET ASSETS:

Board designated net assets as of June 30, consisted of the following:

	2014	2013
Board Designated Operating Reserve Fund	\$ 384,833	\$ 150,045
Board Designated Endowment Fund	242,116	234,989
Total Board Designated Net Assets	\$ 626,949	\$ 385,034

Board Designated Operating Reserve Fund - The Organization maintains a reserve to stabilize cash flow, cover unexpected support or revenue shortfalls, cover unexpected expenses, help fund significant equipment repairs and replacement as well as address future increased capacity or expansion.

Board Designated Endowment Fund - The Board of Directors has designated certain investments as an endowment fund. Each year, up to 5% of the annual investment earnings (based on the fund's fair market value at the beginning of the fiscal year) may be used to finance Sacred Heart Community Service's charitable activities. During the year ended June 30, 2014, the Organization appropriated an amount in excess of 5% totaling \$46,348 due to the fact that it had not made any appropriations in past several years.

Board designations do not meet the criteria for being classified as restricted net assets. Board designations are not donor-imposed restrictions and are subject to change at the Board's discretion.

SACRED HEART COMMUNITY SERVICE
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS:

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

	2014	2013
Time Restriction:		
Grants Receivable	\$ 123,800	\$ 50,000
Uncollected Unconditional Promises to Give	47,276	1,424
Purpose Restriction:		
Restricted Cash for Facility Improvements	485,679	547,747
Self Sufficiency - Asset Development	170,369	135,630
Endowment Accumulated Earnings - Unappropriated	112,847	95,945
Volunteer Office	104,554	125,000
Homework Club - Education	45,000	-
Pack-A-Back	24,147	58,787
Pantry - Protein	15,000	15,000
Self Sufficiency - Education	12,762	15,000
Housing Assistance	5,656	8,404
Total Temporarily Restricted Net Assets	\$ 1,147,090	\$ 1,052,937

NOTE 13 - NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

	2014
Purpose Restriction:	
Self Sufficiency - Asset Development	\$ 69,832
Pack-A-Back	58,787
General Endowment Fund - Appropriated Earnings	53,652
Volunteer Office	20,446
Pantry - Protein	15,000
Housing Assistance	2,748
Self Sufficiency - Education	2,238
Restricted Cash for Facility Improvements	62,890
Time Restriction:	
Grants Receivable	50,000
Uncollected Unconditional Promises to Give	14,577
Total Net Assets Released from Restrictions	\$ 350,170

SACRED HEART COMMUNITY SERVICE
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 14 - PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets as of June 30, 2014 and 2013 totaled \$461,445, and consisted of amounts held in the Organization's donor restricted endowment fund whose usage is restricted by donors. Under no circumstances shall donor restricted endowment contributions be expended.

NOTE 15 - CONTRIBUTIONS IN-KIND:

Sacred Heart Community Service receives a significant amount of donated food, clothing, and household items from the community that are distributed as part of its essential services program. The estimated fair value of donated goods received are recorded as contributions.

Donated Food - Donated food was valued at \$1.72 per pound and \$1.69 per pound for the years ended June 30, 2014 and 2013, respectively. This valuation is based on a cost study conducted for Feeding America (formerly America's Second Harvest).

Donated Clothing - While the Organization provides a best effort estimate in valuing its donated clothing received the estimate is inherently imprecise due to the following factors:

Quantity Estimate - Donated clothing is tracked and valued based on the number of bags received during the year. The sizes of the bags are inconsistent ranging from large garbage bags to standard grocery bags. The variance in the size of the bags can result in inconsistencies in estimating the quantity of clothing received during the year.

Value Estimate - The dollar value per bag is estimated annually based on a statistical sampling of bags tested during the year using a published study performed on eBay sales of used clothing titled "It's Deductible - Tax Year 2014 and 2013 Software". The clothing items in each sampled bag as well as the size of the bag can vary significantly.

In summary, the inconsistencies in the size of the bags as well as the inconsistencies in the contents and quality of clothing in the bags can result in significant variances in the estimated value of donated clothing from year to year.

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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 15 - CONTRIBUTIONS IN-KIND (Continued):

During the years ended June 30, the following in-kind contributions were received by the Organization:

	<u>2014</u>	<u>2013</u>
Contributions In-Kind - Government:		
Food - Government	\$ 862,936	\$ 1,664,385
Contributions In-Kind - Non-Government:		
Food	5,429,612	5,145,641
Clothing	3,678,459	4,125,446
Toys	101,760	175,320
Educational Materials	117,000	98,400
Gift Cards	33,402	27,711
Bedding, Linens and Other	<u>11,010</u>	<u>19,880</u>
Total Contributions In-Kind Non-Government	<u>9,371,243</u>	<u>9,592,398</u>
Total Contributions In-Kind	<u>\$ 10,234,179</u>	<u>\$ 11,256,783</u>

The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. Much of this time is to assist Sacred Heart Community Service by performing a variety of tasks related to specific essential services, self-sufficiency programs, campaign solicitations, and various committee assignments. During the years ended June 30, 2014 and 2013, Sacred Heart Community Service received approximately 90,980 and 90,213 hours of volunteer time. The estimated value of these services for the years ended June 30, 2014 and 2013, respectively, based on the estimated dollar value of volunteer time calculated by Independent Sector, amounts to \$2,051,599 and \$1,997,315, respectively. The value of these services is not reflected in the financial statements.

NOTE 16 - EMPLOYEE PENSION PLAN:

Sacred Heart Community Service has a simplified employee pension plan and contributes up to 6% of eligible employees' salaries. Contributions for the years ended June 30, 2014 and 2013 totaled \$0.

SACRED HEART COMMUNITY SERVICE
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 17 - CONTINGENCIES:

In order to serve a broader group of constituents with more in-depth services including case management, Sacred Heart Community Service expanded its Housing Assistance services taking on new grants from new funders during the year ended June 30, 2010, including multiple large grants from federal funders. Consistent with its generally conservative approach to accounting matters, the risk of initiating new services and working with unfamiliar grantors, and the significant size of the funding in comparison to the Organization operating budget, the Organization has established a small reserve to cover the possibility of future disallowances such as may occur with any federal contract.

NOTE 18 - CONCENTRATIONS:

Government Grants - Cash - During the years ended June 30, 2014 and 2013 the Organization received approximately 62% and 65%, respectively, of its cash support and revenue (not including contributions in-kind) from various government grantors. Significant reductions in future funding from one or more of these government grantors could have an impact on the Organization's program service operations.

NOTE 19 - ENDOWMENT:

Sacred Heart Community Service's endowment consists of funds established for a variety of purposes. Its endowment includes both donor restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Directors of Sacred Heart Community Service has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Sacred Heart Community Service classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the California version of UPMIFA. In accordance with the California version of UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor restricted endowment fund
- (3) General economic conditions

SACRED HEART COMMUNITY SERVICE
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 19 - ENDOWMENT (Continued):

- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the original contributed amount by the donor. There were no deficiencies of this nature that would be required to be reported in unrestricted net assets as of June 30, 2014 and 2013.

Return Objectives and Risk Parameters - Sacred Heart Community Service has adopted investment and spending policies for endowment assets with the primary objectives of preservation of capital and purchasing power and the long-term growth of assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the Board of Directors the endowment assets are invested in a manner that is intended to produce results that exceed the inflation risk as measured by the Consumer Price Index and/or exceed the return of the appropriate benchmark long-term indices (Equities S&P 500 Index, Fixed Income Merrill Lynch Intermediate-Term Index).

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, Sacred Heart Community Service relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Investment Committee does not believe it is necessary or desirable that securities held in the endowment fund represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed 5% of the total fund, and no more than 20% of the total fund should be invested in any one industry. Individual treasury securities may represent 10% of the total fund, while the total allocation to treasury bonds and notes may represent up to 100% of the endowment fund's aggregate bond position.

The Investment Committee will provide guidance and recommendation to the Board as to the asset allocation ranges. Such ranges will be reviewed at least annually by the Investment Committee and ratified by the Board.

Spending Policy and How the Investment Objectives Relate to Spending Policy - Sacred Heart Community Service has a policy of appropriating for distribution each year 5% of its endowment fund's fair market value of the fund as of the first day of the fiscal year. The payout on this basis may exceed current income. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects that the annual payout will constitute only a portion of the fund's total return (income and appreciation), thus building up the endowment over time, offsetting inflation, and preserving the purchasing power of the fund.

This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The recommended payout rate is reviewed annually by the Investment Committee, which will make recommendations to the Board of Directors.

SACRED HEART COMMUNITY SERVICE
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 19 - ENDOWMENT (Continued):

Endowment net asset composition by type of fund as of June 30, 2014 consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds	\$ -	\$ 112,847	\$ 461,445	\$ 574,292
Board Designated Endowment Funds	<u>242,116</u>	<u>-</u>	<u>-</u>	<u>242,116</u>
Total Funds	<u>\$ 242,116</u>	<u>\$ 112,847</u>	<u>\$ 461,445</u>	<u>\$ 816,408</u>

Changes in endowment net assets for the fiscal year ended June 30, 2014 consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 234,989	\$ 95,945	\$ 461,445	\$ 792,379
Contributions	23,730	-	-	23,730
Investment Income	31,432	74,556	-	105,988
Fees	(1,687)	(4,002)	-	(5,689)
Appropriations	<u>(46,348)</u>	<u>(53,652)</u>	<u>-</u>	<u>(100,000)</u>
Endowment Net Assets, End of Year	<u>\$ 242,116</u>	<u>\$ 112,847</u>	<u>\$ 461,445</u>	<u>\$ 816,408</u>

Sacred Heart Community Service has a policy of appropriating for distribution each year 5% of its endowment fund's fair market value of the fund as of the first day of the fiscal year. However, no appropriation was made for the fiscal year ended June 30, 2013. Therefore, Sacred Heart Community Service has appropriated for distributions for the years ended June 30, 2014 and 2013, 5% of its endowment fund's fair market value of the fund as of the first day of the fiscal year.

<u>Year Ended June 30,</u>	<u>Endowment Restricted Net Assets, Beginning of Year</u>	<u>5% Appropriations</u>
2013	\$ 515,639	\$ 25,782
2014	<u>557,390</u>	<u>27,870</u>
Total Appropriations from Temporary Restricted		<u>\$ 53,652</u>

SECTION II
SUPPLEMENTARY INFORMATION

SACRED HEART COMMUNITY SERVICE
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SUPPLEMENTAL STATEMENT OF REVENUE AND EXPENDITURES

CSD CONTRACT NO. 11C-1836

For the Period July 1, 2012 Through June 30, 2014

	July 1, 2012 through June 30, 2013	July 1, 2013 through June 30, 2014	Total Audited Costs	Total Reported Expenses	Total Budget
REVENUE:					
Grant Revenue	\$ 46,712	\$ 95,288	\$ 142,000		\$ 142,000
EXPENDITURES:					
Administration					
Administrative Costs	7,286	1,260	8,546	8,546	8,546
Total Administration Costs	7,286	1,260	8,546	8,546	8,546
Program					
Client Education	3,328	(700)	2,628	2,628	2,264
Liability Insurance	-	-	-	-	500
Outreach	1,202	1,006	2,208	2,208	2,208
Training and Technical Assistance	1,200	2,971	4,171	4,171	4,171
Minor Vehicle and Field Equipment	-	-	-	-	500
Vehicle Insurance	-	-	-	-	500
Worker's Compensation	-	-	-	-	500
Intake	1,107	4,205	5,312	5,312	5,312
Direct Program Activities	31,731	74,973	106,704	106,704	100,675
Health and Safety Activities	93	8,825	8,918	8,918	13,311
General and Operating Expenditures	765	2,748	3,513	3,513	3,513
Total Program Costs	39,426	94,028	133,454	133,454	133,454
Total Expenditures	\$ 46,712	\$ 95,288	\$ 142,000	\$ 142,000	\$ 142,000

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SUPPLEMENTAL STATEMENT OF REVENUE AND EXPENDITURES

CSD CONTRACT NO. 14B-5037

For the Period July 1, 2013 Through June 30, 2014

	July 1, 2013 through June 30, 2014	Total Audited Costs	Unbilled Expenses	Total Reported Expenses	Total Budget
REVENUE:					
Grant Revenue (WX)	\$ 871,715	\$ 871,715	\$ (114,592)		\$ 2,192,972
Grant Revenue (EHA-16)	207,813	207,813	-		-
TOTAL GRANT REVENUE	1,079,528	1,079,528	(114,592)		2,192,972
EXPENDITURES (WX):					
Administration	24,663	24,663	-	24,663	86,644
Total Administration Costs (WX)	24,663	24,663	-	24,663	86,644
Program					
Intake	25,503	25,503	-	25,503	86,644
Outreach	11,889	11,889	-	11,889	54,153
Training and Technical Assistance	8,501	8,501	-	8,501	54,153
Direct Program Activities	704,118	704,118	(114,592)	589,526	586,449
Liability Insurance	7,380	7,380	-	7,380	15,000
Minor Vehicle and Field Equipment	231	231	-	231	-
Worker's Compensation	38,660	38,660	-	38,660	80,000
General and Operating Expenditures	50,770	50,770	-	50,770	120,000
Total Program Costs(WX)	847,052	847,052	(114,592)	732,460	996,399
Total Expenditures (WX)	871,715	871,715	(114,592)	757,123	1,083,043
EXPENDITURES (EHA-16):					
Administration	13,385	13,385	-	13,385	180,753
Total Administration Costs (EHA-16)	13,385	13,385	-	13,385	180,753
Program					
Assurance 16 Activities	40,872	40,872	-	40,872	237,974
Intake	49,650	49,650	-	49,650	268,258
Outreach	34,820	34,820	-	34,820	167,662
Training and Technical Assistance	14,754	14,754	-	14,754	67,064
Direct Program Activities	41,033	41,033	-	41,033	115,518
Liability Insurance	3,634	3,634	-	3,634	2,700
Worker's Compensation	9,665	9,665	-	9,665	25,000
General and Operating Expenditures	-	-	-	-	25,000
Automation Supplement	-	-	-	-	20,000
Total Program Costs (EHA-16)	194,428	194,428	-	194,428	929,176
Total Expenditures (EHA-16)	207,813	207,813	-	207,813	1,109,929
TOTAL GRANT EXPENDITURES	\$ 1,079,528	\$ 1,079,528	\$ (114,592)	\$ 964,936	\$ 2,192,972

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

SUPPLEMENTAL STATEMENT OF REVENUE AND EXPENDITURES

CSD CONTRACT NO. 13B-5040

For the Period July 1, 2012 Through June 30, 2014

	July 1, 2012 through June 30, 2013	July 1, 2013 through June 30, 2014	Total Audited Costs	Total Reported Expenses	Total Budget
REVENUE:					
Grant Revenue (WX)	\$ 73,215	\$ 960,231	\$ 1,033,446		\$ 1,952,812
Grant Revenue (EHA-16)	111,661	332,054	443,715		-
TOTAL GRANT REVENUE	184,876	1,292,285	1,477,161		1,952,812
EXPENDITURES (WX):					
Administration	2,419	42,283	44,702	44,702	84,951
Total Administration Costs (WX)	2,419	42,283	44,702	44,702	84,951
Program					
Intake	1,336	41,929	43,265	43,265	88,951
Outreach	1,539	48,411	49,950	49,950	55,595
Training and Technical Assistance	1,328	54,267	55,595	55,595	55,595
Direct Program Activities	62,602	666,929	729,531	729,531	753,459
Liability Insurance	-	9,907	9,907	9,907	5,000
Vehicle and Equipment Acquisition Cost	-	-	-	-	10,000
Worker's Compensation	-	45,928	45,928	45,928	15,000
General and Operating Expenditures	3,992	50,576	54,568	54,568	50,000
Total Program Costs(WX)	70,797	917,947	988,744	988,744	1,033,600
Total Expenditures (WX)	73,216	960,230	1,033,446	1,033,446	1,118,551
EXPENDITURES (EHA-16):					
Administration	7,349	9,189	16,538	16,538	122,313
Total Administration Costs (EHA-16)	7,349	9,189	16,538	16,538	122,313
Program					
Assurance 16 Activities	55,549	71,520	127,069	127,069	191,591
Intake	21,841	73,237	95,078	95,078	206,630
Outreach	24,699	65,174	89,873	89,873	129,144
Training and Technical Assistance	2,222	21,418	23,640	23,640	51,657
Direct Program Activities	-	28,788	28,788	28,788	65,426
Liability Insurance	-	5,579	5,579	5,579	2,500
Worker's Compensation	-	12,858	12,858	12,858	5,000
General and Operating Expenditures	-	12,523	12,523	12,523	10,000
Automation Supplemental	-	31,769	31,769	31,769	50,000
Total Program Costs (EHA-16)	104,311	322,866	427,177	427,177	711,948
Total Expenditures (EHA-16)	111,660	332,055	443,715	443,715	834,261
TOTAL GRANT EXPENDITURES	\$ 184,876	\$ 1,292,285	\$ 1,477,161	\$ 1,477,161	\$ 1,952,812

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

SUPPLEMENTAL STATEMENT OF REVENUE AND EXPENDITURES

CSD CONTRACT NO. 14F-3042

For the Period July 1, 2013 Through June 30, 2014

	July 1, 2013 through June 30, 2014	Total Audited Costs	Unbilled Expenses	Total Reported Expenses	Total Budget
REVENUE:					
Grant Revenue	\$ 638,933	\$ 638,933			\$ 1,316,024
EXPENDITURES:					
Administration					
Salaries and Wages	239,291	239,291	(12,780)	226,511	442,177
Fringe Benefits	85,904	85,904	(4,360)	81,544	159,184
Operating Expenses	51,243	51,243	(7,211)	44,032	90,500
Other Costs	-	-	-	-	7,000
Total Administration Costs	<u>376,438</u>	<u>376,438</u>	<u>(24,351)</u>	<u>352,087</u>	<u>698,861</u>
Program					
Salaries and Wages	180,738	180,738	(12,000)	168,738	425,600
Fringe Benefits	64,826	64,826	(4,080)	60,746	153,216
Operating Expenses	16,931	16,931	-	16,931	37,347
Other	-	-	-	-	1,000
Total Program Costs	<u>262,495</u>	<u>262,495</u>	<u>(16,080)</u>	<u>246,415</u>	<u>617,163</u>
Total Expenditures	<u>\$ 638,933</u>	<u>\$ 638,933</u>	<u>\$ (40,431)</u>	<u>\$ 598,502</u>	<u>\$ 1,316,024</u>

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

SUPPLEMENTAL STATEMENT OF REVENUE AND EXPENDITURES

CSD CONTRACT NO. 13F-3042

For the Period July 1, 2012 Through June 30, 2014

	July 1, 2012 through June 30, 2013	July 1, 2013 through June 30, 2014	Total Audited Costs	Total Reported Expenses	Total Budget
REVENUE:					
Grant Revenue	\$ 663,815	\$ 635,534	\$ 1,299,349		\$ 1,299,349
EXPENDITURES:					
Administration					
Salaries and Wages	183,713	185,997	369,710	369,710	354,348
Fringe Benefits	64,300	65,099	129,399	129,399	124,020
Operating Expenses	45,663	69,627	115,290	115,290	110,000
Other Costs	-	49,051	49,051	49,051	70,000
Total Administration Costs	<u>293,676</u>	<u>369,774</u>	<u>663,450</u>	<u>663,450</u>	<u>658,368</u>
Program					
Salaries and Wages	273,144	196,567	469,711	469,711	470,885
Fringe Benefits	95,600	68,799	164,399	164,399	164,810
Operating Expenses	1,395	394	1,789	1,789	4,286
Other	-	-	-	-	1,000
Total Program Costs	<u>370,139</u>	<u>265,760</u>	<u>635,899</u>	<u>635,899</u>	<u>640,981</u>
Total Expenditures	<u>\$ 663,815</u>	<u>\$ 635,534</u>	<u>\$ 1,299,349</u>	<u>\$ 1,299,349</u>	<u>\$ 1,299,349</u>

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER GOVERNMENTAL AWARDS

Year Ended June 30, 2014

Government Grantor Pass-through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Award Amount	Total Expenditures
<u>FEDERAL AWARDS</u>				
<u>U.S. Department of Health and Human Services</u>				
Community Services Block Grant				
Passed through:				
State of CA Dept of Community Services and Development	93.569	13F-3042	\$ 1,299,349	\$ 635,534
State of CA Dept of Community Services and Development	93.569	14F-3042	<u>1,316,024</u>	<u>638,933</u>
Total Community Services Block Grant			<u>2,615,373</u>	<u>1,274,467</u>
Low-Income Home Energy Assistance				
Passed through:				
State of CA Dept of Community Services and Development	93.568	13B-5040	1,952,812	1,292,285
State of CA Dept of Community Services and Development	93.568	14B-5037	<u>2,192,972</u>	<u>1,079,528</u>
Total Low-Income Home Energy Assistance			<u>4,145,784</u>	<u>2,371,813</u>
Total U.S. Department of Health and Human Services			<u>6,761,157</u>	<u>3,646,280</u>
<u>U.S. Department of Energy</u>				
Weatherization Assistance for Low-Income Persons	81.042	11C-1836	<u>142,000</u>	<u>95,288</u>
<u>U.S. Department of Agriculture</u>				
Emergency Food Assistance Program (Food Commodities)				
Passed through:				
State of California Department of Social Services	10.569	1026	862,936	862,936
Summer Food Service Program for Children				
Passed through:				
State of California	10.559	0412-CACFP-43- NP-IC	<u>26,389</u>	<u>26,389</u>
Total U.S. Department of Agriculture			<u>889,325</u>	<u>889,325</u>
<u>U.S. Department of Homeland Security</u>				
Emergency Food and Shelter National Board Program	97.024	N/A	<u>30,732</u>	<u>30,732</u>
<u>Corporation for National and Community Service</u>				
Social Innovation Fund	94.019	45144-0001	142,617	79,024
Social Innovation Fund	94.019	45144-0002	<u>144,700</u>	<u>83,470</u>
Total Corporation for National and Community Service			<u>287,317</u>	<u>162,494</u>
<u>U.S. Department of Housing and Urban Development</u>				
Community Development Block Grants/Entitlement Grants				
Passed through:				
County of Santa Clara	14.218	PS-13-11	<u>11,706</u>	<u>11,706</u>
Total Federal Awards			<u>8,122,237</u>	<u>4,835,825</u>

See Accompanying Notes to Schedule of Expenditures of Federal and Other Governmental Awards.

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER GOVERNMENTAL AWARDS
(Continued)

Year Ended June 30, 2014

Government Grantor Pass-through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Award Amount	Total Expenditures
OTHER GOVERNMENTAL AWARDS				
<u>City of San Jose</u>				
Homeless Family and Youth		ESG-12-002	137,832	117,245
<u>Santa Clara County</u>				
First 5 Santa Clara County		2012-900-002	303,526	266,907
Una Vida Mejor Para Mi Familia Parenting Education		4300008309	45,000	44,237
Homeless Fund		4300008413	410,814	30,166
Families First Program		4300008880	60,596	60,561
VTA Clipper Card Discount		4300009764	23,809	23,809
Total Santa Clara County			843,745	425,680
<u>Other</u>				
Occupational Training Institute		N/A	49,795	49,795
CDPH - Healthy Eating		12-10359	13,152	9,739
Other			1,280	1,280
Total Other			64,227	60,814
Total Other Governmental Awards			1,045,804	603,739
Total Federal and Other Governmental Awards			\$ 9,168,041	\$ 5,439,564

See Accompanying Notes to Schedule of Expenditures of Federal and Other Governmental Awards.

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER GOVERNMENTAL
AWARDS

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal and other governmental awards (the "Schedule") includes the federal and other governmental grant activity of Sacred Heart Community Service under programs of the federal, state and local government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Sacred Heart Community Service, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Sacred Heart Community Service.

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 OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

NOTE 3 - EMERGENCY FOOD ASSISTANCE PROGRAM (FOOD COMMODITIES):

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2014, the Organization had food commodities totaling \$36,539 in inventory.

NOTE 4 - WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS:

At June 30, 2014, the Organization had Weatherization inventory totaling \$92,013.

NOTE 5 - VEHICLES FUNDED BY FEDERAL CONTRACTS:

As required by the federal contracts, Sacred Heart Community Service purchased 12 vehicles in prior years for its energy program. Expenditures for the vehicles purchased were claimed in those respective years. As of June 30, 2014, Sacred Heart Community Service continues to use these vehicles for the energy program.

SECTION III
REPORTS

FOUNDERS

Alexander W. Berger (1916-2005)
Griffith R. Lewis (1930-2012)

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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*

To the Board of Directors
Sacred Heart Community Service
(A California Nonprofit Public Benefit Corporation)
San Jose, 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 Sacred Heart Community Service (a California nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sacred Heart Community Service'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 Sacred Heart Community Service's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sacred Heart Community Service'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 Sacred Heart Community Service'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 is 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.

A handwritten signature in cursive script that reads "Berger Lewis Accountancy Corporation".

BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
December 30, 2014

FOUNDERS

Alexander W. Berger (1916-2005)
Griffith R. Lewis (1930-2012)

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB
CIRCULAR A-133

To the Board of Directors
Sacred Heart Community Service
(A California Nonprofit Public Benefit Corporation)
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited Sacred Heart Community Service's (a California nonprofit public benefit corporation) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Sacred Heart Community Service's major federal programs for the year ended June 30, 2014. Sacred Heart Community Service's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sacred Heart Community Service's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sacred Heart Community Service's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Sacred Heart Community Service's compliance.

Opinion on Each Major Federal Program

In our opinion, Sacred Heart Community Service complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Sacred Heart Community Service is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sacred Heart Community Service's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sacred Heart Community Service's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose



BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
December 30, 2014

SECTION IV
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of Sacred Heart Community Service.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Sacred Heart Community Service, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Sacred Heart Community Service expresses an unmodified opinion on all major federal programs.
6. No audit findings which would be required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as major program:
 Low-Income Home Energy Assistance - CFDA 93.568
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Sacred Heart Community Service qualified as a low-risk auditee.

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Year Ended June 30, 2014

FINDINGS - FINANCIAL STATEMENTS AUDIT:

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Name of Program - Low-Income Home Energy Assistance

CFDA No. 93.568

None

SACRED HEART COMMUNITY SERVICE
(A California Nonprofit Public Benefit Corporation)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2014

NONE