

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
Phoenix, Arizona**

**FINANCIAL STATEMENTS
AND
SINGLE AUDIT REPORTS
September 30, 2010 and 2009**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
 FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Functional Expenses	4
Statements of Cash Flows	8
 Notes to Financial Statements	
Note 1 Summary of Significant Accounting Policies.....	10
Note 2 Contributions Receivable	16
Note 3 Notes Receivable	16
Note 4 Investments	17
Note 5 Fair Value of Financial Instruments	17
Note 6 Inventories	20
Note 7 Beneficial Interests in Assets Held in Trusts.....	20
Note 8 Land, Property and Equipment.....	21
Note 9 Investment in Human Services Campus, LLC	21
Note 10 Note Payable	22
Note 11 In-Kind Contributions	23
Note 12 Lease Commitments	24
Note 13 Restricted Assets and Designated Funds	25
Note 14 Employee Benefit Plan.....	28
Note 15 Concentration of Risk.....	28
Note 16 Related Party Transactions	29
Note 17 Federal Grants	29
Note 18 Subsequent Events.....	30
 SINGLE AUDIT REPORTS	 31
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	 32
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	 34
Report on Schedule of Expenditures of Federal Awards	36
Schedule of Findings and Questioned Costs.....	37
Schedule of Expenditures of Federal Awards.....	41
Notes to Schedule of Expenditures of Federal Awards	42



Independent Auditor's Report

Board of Directors
The Diocesan Council of the Society of
St. Vincent de Paul, Diocese of Phoenix
Phoenix, Arizona

We have audited the accompanying statements of financial position of The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix (Council) as of September 30, 2010 and 2009, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix as of September 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2011, on our consideration of The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Clifton Gunderson LLP

Phoenix, Arizona
April 20, 2011

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
STATEMENTS OF FINANCIAL POSITION
September 30, 2010 and 2009**

ASSETS

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 28,578	\$ 787,824
Accounts receivable, net	58,743	76,066
Contributions receivable, net	245,268	1,108,770
Notes receivable, net	161,833	192,524
Other receivables	54,592	89,916
Investments	9,518,271	7,634,381
Inventories	1,525,642	1,395,847
Beneficial interests in assets held in trusts	7,317,692	7,174,269
Land, property and equipment	9,577,573	10,016,491
Other assets	<u>217,997</u>	<u>90,349</u>
 TOTAL ASSETS	 <u>\$ 28,706,189</u>	 <u>\$ 28,566,437</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 600,022	\$ 469,082
Accrued expenses	443,122	636,880
Charitable gift annuity payable	258,741	224,160
Note payable	<u>216,897</u>	<u>233,812</u>
 Total liabilities	 <u>1,518,782</u>	 <u>1,563,934</u>

NET ASSETS

Unrestricted	9,436,173	8,649,849
Temporarily restricted	2,699,648	3,542,599
Permanently restricted	<u>15,051,586</u>	<u>14,810,055</u>
 Total net assets	 <u>27,187,407</u>	 <u>27,002,503</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,706,189</u>	<u>\$ 28,566,437</u>
---	-----------------------------	-----------------------------

The accompanying notes are an integral part of the financial statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended September 30, 2010 and 2009**

	2010			2009				
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
SUPPORT AND REVENUES								
In-kind contributions	\$ 10,680,823	\$ -	\$ -	\$ 10,680,823	\$ 11,927,802	\$ -	\$ -	\$ 11,927,802
Donated merchandise	4,526,394	-	-	4,526,394	4,001,477	-	-	4,001,477
Bequests, trusts and gifts	1,135,951	-	-	1,135,951	1,437,366	634,973	-	2,072,339
Contributions	4,643,710	-	-	4,643,710	4,021,380	39,372	138,881	4,199,633
Government and other grants	1,641,034	236,592	98,108	1,975,734	1,801,704	-	-	1,801,704
Interest and dividends	269,525	-	-	269,525	173,479	-	-	173,479
Unrealized and realized gain (loss)	544,200	-	-	544,200	(141,288)	-	-	(141,288)
Change in value on charitable gift annuities	-	-	-	-	(38,578)	-	-	(38,578)
Earnings on beneficial interest	532,291	-	-	532,291	425,838	-	-	425,838
in assets held in trusts	-	-	-	-	-	-	-	-
Change in value of beneficial interest	-	-	143,423	143,423	-	-	(851,764)	(851,764)
in assets held in trusts	-	-	-	-	(74,696)	-	-	(74,696)
Loss on investment in Human Services Campus, LLC	(230,395)	-	-	(230,395)	683,586	-	-	683,586
Gain (loss) on disposal of land, property and equipment	447,781	-	-	447,781	540,599	-	-	540,599
Other	1,079,543	(1,079,543)	-	-	528,492	(528,492)	-	-
Net assets released from restriction	-	-	-	-	-	-	-	-
Total support and revenues	<u>25,270,857</u>	<u>(842,951)</u>	<u>241,531</u>	<u>24,669,437</u>	<u>25,287,161</u>	<u>145,853</u>	<u>(712,883)</u>	<u>24,720,131</u>
FUNCTIONAL EXPENSES								
Program services								
Food reclamation center	8,638,804	-	-	8,638,804	9,479,763	-	-	9,479,763
Retail operations	4,721,793	-	-	4,721,793	4,083,223	-	-	4,083,223
Food services and dining room ministry	3,379,132	-	-	3,379,132	4,045,169	-	-	4,045,169
Medical/dental clinic	2,451,244	-	-	2,451,244	2,451,950	-	-	2,451,950
Ozanam Manor Shelter	752,802	-	-	752,802	710,864	-	-	710,864
Special events and projects	893,823	-	-	893,823	752,542	-	-	752,542
Conferences and volunteers	462,442	-	-	462,442	254,699	-	-	254,699
Transient, homeless, incarcerated and medical equipment ministries	761,175	-	-	761,175	721,209	-	-	721,209
Total program services	<u>22,061,215</u>	<u>-</u>	<u>-</u>	<u>22,061,215</u>	<u>22,499,419</u>	<u>-</u>	<u>-</u>	<u>22,499,419</u>
Support services								
Management and administration	989,047	-	-	989,047	932,535	-	-	932,535
Community relations	473,845	-	-	473,845	380,931	-	-	380,931
Fund raising/development	960,426	-	-	960,426	793,900	-	-	793,900
Total support services	<u>2,423,318</u>	<u>-</u>	<u>-</u>	<u>2,423,318</u>	<u>2,107,366</u>	<u>-</u>	<u>-</u>	<u>2,107,366</u>
Total functional expenses	<u>24,484,533</u>	<u>-</u>	<u>-</u>	<u>24,484,533</u>	<u>24,606,785</u>	<u>-</u>	<u>-</u>	<u>24,606,785</u>
Changes in net assets	786,324	(842,951)	241,531	184,904	680,376	145,853	(712,883)	113,346
NET ASSETS, BEGINNING OF YEAR	<u>8,649,849</u>	<u>3,542,599</u>	<u>14,810,055</u>	<u>27,002,503</u>	<u>7,969,473</u>	<u>3,396,746</u>	<u>15,522,938</u>	<u>26,889,157</u>
NET ASSETS, END OF YEAR	<u>\$ 9,436,173</u>	<u>\$ 2,699,648</u>	<u>\$ 15,051,586</u>	<u>\$ 27,187,407</u>	<u>\$ 8,649,849</u>	<u>\$ 3,542,599</u>	<u>\$ 14,810,055</u>	<u>\$ 27,002,503</u>

The accompanying notes are an integral part of the financial statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2010**

Program Services

	Food Reclamation Center	Retail Operations	Food Services and Dining Room Ministry	Medical/Dental Clinic	Ozanam Manor Shelter	Special Events and Projects	Conferences and Volunteers	Transient, Homeless, Incarcerated, and Medical Equipment Ministries	Total Program Services
Salaries and benefits	\$ 531,057	\$ 2,708,504	\$ 856,305	\$ 983,469	\$ 469,932	\$ 238,709	\$ 308,980	\$ 262,359	\$ 6,359,315
Advertising	-	28,191	-	1,459	-	1,348	-	-	30,998
Council direct aid	-	-	-	-	-	128,400	-	-	128,400
Depreciation and amortization	13,707	45,471	196,282	9,522	-	11,179	20,496	23,765	320,422
Direct client costs	-	-	9,980	165,381	20,587	87,184	-	226,064	509,196
Equipment and supplies	20,707	85,909	137,949	9,457	35,725	16,878	37,479	18,227	362,331
Food	373,583	-	307,739	-	9,255	4,295	-	-	694,872
In-kind expenses	7,494,133	84,750	1,347,717	1,089,086	143,410	105,665	9,753	139,832	10,414,346
Insurance	19,482	51,961	93,311	18,642	5,786	2,109	5,832	4,276	201,399
Maintenance and repairs	56,611	47,244	107,937	29,874	24,161	1,982	4,458	19,330	291,597
Miscellaneous	24,467	524,244	13,707	11,115	657	64,298	2,202	2,047	642,737
Outside services	20,944	169,365	50,749	92,981	10,873	4,027	8,126	11,375	368,440
Printing	2,251	5,240	364	736	349	4,189	8,280	1,222	22,631
Rent	-	452,984	-	-	-	-	-	-	452,984
Security	306	9,699	1,962	265	918	225	14	1,617	15,006
Special events/projects	-	-	62,017	1,648	-	200,214	2,562	-	266,441
Telephone and postage	8,756	52,263	15,356	8,562	18,658	3,363	15,817	12,501	135,276
Transportation costs	21,242	277,024	38,165	1,571	3,094	6,374	535	1,561	349,566
Travel/meetings	1,066	12,812	9,550	9,812	2,305	13,152	28,651	375	77,723
Utilities	50,492	166,132	130,042	17,664	7,092	232	9,257	36,624	417,535
TOTALS	\$ 8,638,804	\$ 4,721,793	\$ 3,379,132	\$ 2,451,244	\$ 752,802	\$ 893,823	\$ 462,442	\$ 761,175	\$ 22,061,215

(Continued)

THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
Year Ended September 30, 2010

	<u>Support Services</u>				
	<u>Management and Administration</u>	<u>Community Relations</u>	<u>Fund Raising/ Development</u>	<u>Total Support Services</u>	<u>Total Functional Expenses</u>
Salaries and benefits	\$ 732,010	\$ 169,770	\$ 502,627	\$ 1,404,407	\$ 7,763,722
Advertising	-	36,286	10,790	47,076	78,074
Council direct aid	-	-	-	-	128,400
Depreciation and amortization	8,798	14,539	10,012	33,349	353,771
Direct client costs	-	-	-	-	509,196
Equipment and supplies	30,833	22,090	92,185	145,108	507,439
Food	-	-	1,077	1,077	695,949
In-kind expenses	14,008	562	40,304	54,874	10,469,220
Insurance	1,272	432	1,022	2,726	204,125
Maintenance and repairs	6,895	1,707	3,677	12,279	303,876
Miscellaneous	45,287	19	54,946	100,252	742,989
Outside services	84,438	12,532	109,621	206,591	575,031
Printing	3,959	162,216	70,579	236,754	259,385
Rent	-	-	-	-	452,984
Security	660	220	440	1,320	16,326
Special events/projects	64	-	10,419	10,483	276,924
Telephone and postage	15,006	46,198	47,125	108,329	243,605
Transportation costs	-	-	-	-	349,566
Travel/meetings	42,311	6,321	3,991	52,623	130,346
Utilities	3,506	953	1,611	6,070	423,605
TOTALS	\$ 989,047	\$ 473,845	\$ 960,426	\$ 2,423,318	\$ 24,484,533

The accompanying notes are an integral part of the financial statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2009**

	Program Services										
	Food Reclamation Center	Retail Operations	Food Services and Dining Room Ministry	Medical/ Dental Clinic	Ozanam Manor Shelter	Special Events and Projects	Conferences and Volunteers	Transient, Homeless, Incarcerated, and Medical Equipment Ministries	Total Program Services		
Salaries and benefits	\$ 499,799	\$ 2,651,781	\$ 878,548	\$ 991,913	\$ 481,965	\$ 161,867	\$ 145,811	\$ 233,070	\$ 6,044,754		
Advertising	65	38,288	-	2,861	-	1,348	-	-	42,562		
Council direct aid	-	-	-	-	-	121,400	-	-	121,400		
Depreciation and amortization	47,934	37,586	229,185	15,336	3,462	12,353	21,722	15,937	383,515		
Direct client costs	-	-	31,952	118,677	8,817	10,245	-	212,558	382,249		
Equipment and supplies	15,323	75,331	115,713	12,773	21,215	8,170	19,038	15,662	283,225		
Food	161,683	96	291,893	-	7,090	11,750	-	35,000	507,512		
In-kind expenses	8,528,036	7,987	2,030,712	1,126,512	125,220	175,188	3,746	107,622	12,105,023		
Insurance	19,344	54,719	102,609	14,777	6,375	2,920	4,622	4,133	209,499		
Maintenance and repairs	66,526	50,142	102,029	18,236	12,819	2,408	1,165	17,873	271,198		
Miscellaneous	28,087	175,623	21,954	9,021	8,067	54,014	18,582	4,527	319,875		
Outside services	30,700	91,854	37,768	105,718	6,186	35,757	7	18,414	326,404		
Printing	4,112	2,750	330	738	13	995	4,386	1,252	14,576		
Rent	-	402,813	-	-	-	-	-	-	402,813		
Security	250	10,911	1,390	266	1,039	226	24	1,527	15,633		
Special events/projects	-	-	3,740	-	-	140,288	-	-	144,028		
Telephone and postage	8,282	49,316	25,413	9,335	15,611	621	12,878	14,057	135,513		
Transportation costs	14,323	263,725	41,711	-	2,619	1,587	809	-	324,774		
Travel/meetings	581	12,980	1,849	5,226	2,919	10,344	11,935	-	45,834		
Utilities	54,718	157,321	128,373	20,561	7,447	1,061	9,974	39,577	419,032		
TOTALS	\$ 9,479,763	\$ 4,083,223	\$ 4,045,169	\$ 2,451,950	\$ 710,864	\$ 752,542	\$ 254,699	\$ 721,209	\$ 22,499,419		

(Continued)

THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
Year Ended September 30, 2009

	<u>Support Services</u>				
	<u>Management and Administration</u>	<u>Community Relations</u>	<u>Fund Raising/ Development</u>	<u>Total Support Services</u>	<u>Total Functional Expenses</u>
Salaries and benefits	\$ 701,346	\$ 155,292	\$ 522,621	\$ 1,379,259	\$ 7,424,013
Advertising	-	18,631	2,886	21,517	64,079
Council direct aid	-	-	-	-	121,400
Depreciation and amortization	7,823	12,240	3,143	23,206	406,721
Direct client costs	-	-	-	-	382,249
Equipment and supplies	23,857	15,618	54,480	93,955	377,180
Food	-	-	-	-	507,512
In-kind expenses	175	6,165	182	6,522	12,111,545
Insurance	1,388	473	3,894	5,755	215,254
Maintenance and repairs	9,427	1,663	7,415	18,505	289,703
Miscellaneous	43,553	278	101,551	145,382	465,257
Outside services	78,922	8,922	38,048	125,892	452,296
Printing	3,196	107,551	4,996	115,743	130,319
Rent	-	-	-	-	402,813
Security	622	207	207	1,036	16,669
Special events/projects	-	-	17,987	17,987	162,015
Telephone and postage	17,402	46,122	30,298	93,822	229,335
Transportation costs	-	-	-	-	324,774
Travel/meetings	40,923	6,709	2,707	50,339	96,173
Utilities	3,901	1,060	3,485	8,446	427,478
TOTALS	<u>\$ 932,535</u>	<u>\$ 380,931</u>	<u>\$ 793,900</u>	<u>\$ 2,107,366</u>	<u>\$ 24,606,785</u>

The accompanying notes are an integral part of the financial statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 184,904	\$ 113,346
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	353,771	406,721
Loss (gain) on disposal of land, property and equipment	230,395	(683,586)
Net realized and unrealized (gain) loss on investments	(544,200)	141,288
Changes in value of beneficial interests in assets held in trusts	(143,423)	851,764
Loss on investment in Human Services Campus, LLC	-	74,696
Contributions restricted for long-term investment	(98,108)	(138,881)
Changes in allowance on contributions receivable	(120,385)	(12,902)
Changes in the discount on contributions receivable	(28,426)	(40,264)
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	17,323	3,635
Contributions receivable	1,012,313	159,724
Other receivables	35,324	24,269
Inventories	(129,795)	79,371
Other assets	(127,648)	11,496
Accounts payable	130,940	91,803
Accrued expenses	(193,758)	(21,960)
Charitable gift annuity payable	34,581	7,214
	<u>613,808</u>	<u>1,067,734</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections from notes receivable	50,691	60,354
Issuance of notes receivable	(20,000)	-
Proceeds from sale of investments	465,881	1,542,907
Purchases of investments	(1,805,571)	(2,862,306)
Proceeds from sale of property and equipment	-	735,000
Purchases of property and equipment	(145,248)	(23,579)
	<u>(1,454,247)</u>	<u>(547,624)</u>
Net cash used in investing activities		

(Continued)

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended September 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	\$ (16,915)	\$ (15,657)
Contributions restricted for long-term investment	<u>98,108</u>	<u>138,881</u>
Net cash provided by financing activities	<u>81,193</u>	<u>123,224</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(759,246)	643,334
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>787,824</u>	<u>144,490</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 28,578</u>	<u>\$ 787,824</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 17,528</u>	<u>\$ 18,785</u>

The accompanying notes are an integral part of the financial statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix (the Council) is a Catholic organization of Catholic and Non-Catholic laypersons operating as a not-for-profit corporation, without capital stock, throughout Central and Northern Arizona. The Council provides food to the needy, medical and dental services and direct assistance to individuals through its Transient Aide Center, Ministry to the Homeless, Ministry to the Incarcerated/Families, Dining Room Ministry, Medical/Dental Clinic, Parish Conferences, and Ozanam Manor transitional shelter, among other programs. The Council also accepts donated household and other items for distribution to the needy and for sale, primarily in its thrift stores.

The assets, liabilities, net assets, and operating results of the district councils and conferences that also serve the needy are not included in the accompanying financial statements. The district councils operate independently with separate officers, and are subject to the same rules and mission of the Council.

Basis of Presentation

The Council prepares its financial statements in accordance with the *American Institute of Certified Public Accountants Audit and Accounting Guide for Not-For-Profit Organizations* (Audit Guide). Under the Audit Guide, the Council is required to report information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as follows:

Unrestricted Net Assets

Unrestricted net assets are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those which are subject to donor-imposed stipulations that may or will be met by the actions of the Council and/or the passage of time.

Permanently Restricted Net Assets

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Council. Generally, the donors of these assets permit the Council to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted explicitly by donor stipulation or by law. Satisfaction of temporary restrictions on net assets, i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications to unrestricted net assets.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of Financial Statements

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

Recently Adopted Accounting Principle

Effective January 1, 2008, the Council adopted the "Fair Value Measurements" accounting standard which provides a comprehensive framework for measuring fair value and expands disclosures which are required about fair value measurements. In April 2009, the Financial Accounting Standards Board (FASB) amended the requirements to provide additional guidance on disclosure requirements related to major categories of debt and equity securities. In September 2009, the FASB issued Accounting Standards Update 2009-12, *Fair Value Measurements and Disclosures – Investment in Certain Estimates that Calculate Net Asset Value Per Share (or Its Equivalent) (ASU 2009-12)*. The update provides guidance on estimating the fair value when an investment in an investment company does not have a readily determinable fair value; ASU 2009-12 permits the use of the investment's net asset value as a practical expedient to determine fair value. ASU 2009-12 also requires additional disclosures regarding the investments. The adoption did not have a material impact on the Council's financial statements and all applicable disclosures are included in these financial statements.

New Accounting Pronouncement

In January 2010, the FASB issued Accounting Standards Update 2010-06, *Fair Value Measurements and Disclosures – Improving Disclosures about Fair Value Measurements*. This guidance requires: (i) separate disclosure of significant transfers between Level 1 and Level 2 and reasons for the transfers; (ii) disclosure, on a gross basis, of purchases, sales, issuances, and net settlements within Level 3; (iii) disclosures by class of assets and liabilities, and (iv) a description of the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. This guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the Level 3 disclosure requirements, which will be effective for fiscal years beginning after December 15, 2010 and interim periods within those fiscal years with early adoption permitted. Management of the Council does not believe the adoption of this guidance will impact the financial statement amounts; however, additional disclosures may be required.

Cash and Cash Equivalents

The Council considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Contributions receivable represent unconditional promises to give that are acknowledged in writing by donating parties prior to September 30 but not transmitted to the Council until after that date. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates determined by management, applicable to the years in which the promises are received. Amortization of the discounts is included in contribution support. The carrying amount of contributions receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected.

Investments

Investments, consisting primarily of cash and cash equivalents, mutual funds, bonds and certificates of deposit, with readily determinable market values are measured at fair value as of year-end in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) are recognized in the statements of activities and changes in net assets.

Inventories

Inventories, consisting of donated food and retail products, are stated at their estimated fair value at the time of donation. Donated inventories increased by \$129,795 at September 30, 2010, as compared to September 30, 2009. Donated inventories decreased by \$79,371 at September 30, 2009, as compared to September 30, 2008.

Beneficial Interests in Assets Held in Trusts

The Council receives contributions of investment assets in which the Council retains an interest. The assets are invested and administered by unrelated trustees and community foundations, and distributions are made to the Council. These funds are primarily invested in debt and equity securities, and the Council records its interest at the fair value of the assets. Initial recognition and subsequent adjustments to the assets' carrying value are recognized as bequest and trust contributions and changes in value of beneficial interest in trust assets, respectively. The beneficial interest trusts are classified as permanently restricted, temporarily restricted, or unrestricted support, depending on donor-imposed purpose and time restrictions, if any.

Land, Property and Equipment

Land, property and equipment are initially recorded at cost and donated property and equipment are recorded at fair value at the date of gift. Betterments and renewals in excess of \$10,000 are capitalized. Depreciation is provided using the straight-line method over their respective useful lives, which range from 3 to 40 years.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Council reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe that any impairment indicators were present as of September 30, 2010 and 2009.

Temporarily Restricted Net Assets

The Council has adopted the following optional accounting policies with respect to temporarily restricted net assets:

- Contributions with Restrictions Met in the Same Year

Contributions received with donor-imposed or time restrictions that are met in the same year as received are reported as revenues of unrestricted net assets.

- Release of Restrictions on Net Assets for Acquisition of Land, Property and Equipment

Contributions of land, property and equipment without donor stipulations concerning their use are reported as revenues of unrestricted net assets. Contributions of cash or other assets to be used to acquire land, property and equipment with donor stipulations are reported as revenues of temporarily restricted net assets. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributions

Under the Audit Guide, contributions, grants, and bequests including unconditional promises to give, are recognized as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized at their fair value if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Government Grants

Government grants generally cover a period of one year or less. Revenue from grants is generally recorded when the Council has incurred expenditures in compliance with specific grant restrictions.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Gains and Losses

Income and net gains and losses on investments of endowment and other funds are reported as increases or decreases in restricted or temporarily restricted net assets unless the terms of the gift require otherwise or the Board of Directors of the Council appropriates for expenditure.

Income Taxes

The Council is a not-for-profit charitable organization which qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for federal or state corporate income taxes has been made in the accompanying financial statements. The Council qualifies for the charitable contribution deduction under Section 170 of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a).

The federal and state corporate income tax returns of the Council for 2007, 2008, 2009 and 2010 are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation methods used, aside from allocating direct costs, are based on square footage, full-time equivalents, and other appropriate methods, and are subject to a certain degree of estimation by management.

The Council in its mission, performs eight program and three support service functions.

Program Services:

Food Reclamation Center: Activities include collecting, cleaning, checking, sorting, and distributing the millions of pounds of food received each year.

Retail Operations: Activities of the retail operations include operating eight retail stores throughout metropolitan Phoenix in which used clothing, furniture, and household goods are sold at bargain prices. Activities of the related warehouse processing center include collecting, cleaning, and sorting donated merchandise and distributing the merchandise to retail stores. Activities of warehouse processing also include the sale of donated items that are not suitable for sale in the retail stores. Additionally, direct assistance is provided to clients in need of clothing, furniture, and household items at no cost. Products are also provided to Council programs.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

Program Services: (Continued)

Food Services and Dining Room Ministry: Activities of food services and dining rooms include preparing, transporting to and serving meals in the five charity dining rooms in metropolitan Phoenix, as well as preparing meals for 18 dining locations operated by other not-for-profit groups throughout Maricopa County. Other services provided by the dining room ministry include educational programs for children and parents, on-site referrals for additional assistance, and a special program offering homeless individuals job training and structure.

Medical/Dental Clinic: Activities include providing various medical and dental services at no cost to the uninsured working poor. The services provided range from simple immunizations to surgeries, teeth cleaning to full mouth restoration, as well as medical and dental education.

Ozanam Manor Shelter: Activities include transitional shelter and programs for the homeless elderly and disabled adults while they work toward becoming completely self-sufficient.

Conferences and Volunteers: Activities include supporting the Parish Conferences, coordinating, and organizing the 8,000 volunteers that assist the Council in accomplishing the mission, and program related support relating to the various ministries of the Council.

Transient, Homeless, Incarcerated and Medical Equipment Ministries: Activities of the transient aid center consist of helping travelers who are stranded in Arizona with transportation, gas and food, etc. as each case warrants, so that they may return to the road and reach a viable destination. Activities of the homeless ministry consist primarily of enhancing the dignity of each individual who walks through the door. Services provided include one-on-one counseling and assistance, showers, haircuts, job referrals and clothing. Activities of the incarcerated ministry include providing emotional support, financial support, and mentoring to families of the incarcerated and to newly released individuals to help them re-integrate into society. Activities of the medical equipment ministry include lending durable medical equipment, such as wheelchairs, walkers, benches, etc. free of charge to low-income, uninsured individuals.

Special Events and Projects: Activities performed to meet the mission and purposes of the Council, but which do not fall within the other functional categories.

Support Services:

Management and Administration: Activities include all costs not identifiable with a single program or fundraising activity, but are an integral part of such programs and activities and to the Council's existence. This includes expenses for the overall direction of the Council, business management, general record keeping, budgeting, and financial reporting.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support Services: (Continued)

Community Relations: Activities include the communication of the purpose, activities and services of the Council to its members and the public.

Fund Raising/Development: Activities performed by the Council for the generation of funds and/or resources to support its programs and operations.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2010</u>	<u>2009</u>
Contributions receivable before unamortized discount and allowance for uncollectibles	\$ 570,330	\$ 1,582,643
Less unamortized discount	(15,690)	(44,116)
Less allowance for uncollectibles	<u>(309,372)</u>	<u>(429,757)</u>
Net contributions receivable	<u>\$ 245,268</u>	<u>\$ 1,108,770</u>
Gross amounts due in:		
Less than one year	\$ 454,140	\$ 1,311,280
One to five years	<u>116,190</u>	<u>271,363</u>
Total	<u>\$ 570,330</u>	<u>\$ 1,582,643</u>

The discount rate used to determine the present value of the contributions receivable balance is a rate considered appropriate for the expected repayment term. For the years ended September 30, 2010 and 2009, this rate was approximately 6.0%.

NOTE 3 – NOTES RECEIVABLE

Notes receivable consist of the following:

	<u>2010</u>	<u>2009</u>
Non-interest bearing unsecured note receivable due from other district councils; original amount of \$20,000; due in full on December 31, 2011.	\$ 20,000	\$ -
Non-interest bearing unsecured note receivable due from other district councils; original amount of \$50,000; due in monthly installments of \$1,000 through October 2012.	25,000	37,000

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 3 – NOTES RECEIVABLE (CONTINUED)

	<u>2010</u>	<u>2009</u>
Note receivable; secured by a building; original amount of \$130,000; being paid in monthly installments of \$1,319, including interest of 9%, through January 2013.	35,322	45,441
Non-interest bearing unsecured note receivable; original amount of \$200,000; due from other district councils; due in monthly installments of \$2,381, through June 2014.	<u>107,141</u>	<u>135,713</u>
Total notes receivable	187,463	218,154
Less unamortized discount	<u>(25,630)</u>	<u>(25,630)</u>
Total notes receivable, net	<u>\$ 161,833</u>	<u>\$ 192,524</u>

The non-interest bearing notes were discounted using a rate of 6%.

Future maturities of the notes receivable are as follows:

2011	\$ 53,955
2012	75,210
2013	36,872
2014	<u>21,426</u>
Total	<u>\$ 187,463</u>

NOTE 4 – INVESTMENTS

Investments consist of the following:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,102,031	\$ 1,102,031	\$ 239,782	\$ 239,782
Mutual funds	7,685,814	6,828,089	7,353,295	5,894,363
Bonds	536,280	582,483	487,147	506,583
Certificates of deposit	890,123	918,036	890,184	903,968
Limited Partnership	<u>92,406</u>	<u>87,632</u>	<u>92,406</u>	<u>89,685</u>
Total investments	<u>\$ 10,306,654</u>	<u>\$ 9,518,271</u>	<u>\$ 9,062,814</u>	<u>\$ 7,634,381</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, the Council uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The fair value measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The framework defines levels within the hierarchy based on the reliability of inputs as follows:

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

A description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation follows:

Investments

The Council's investments are held in accounts with Fidelity Investments and Oakmark Funds. The fair value of these investments is readily available and is based upon market value. Equity securities and government issued securities listed on a national market or exchange, are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy. The investment in the limited partnership represents the Council's 1% interest in a limited partnership. This investment is classified within Level 2 of the valuation hierarchy, within the fair value measurement framework.

Beneficial Interests in Assets Held in Trust

The value of the beneficial interest agreements are recorded at the fair value of the investments which are held by third-party trustees and then adjusted for the Council's interest in the assets. These trusts are classified within Level 2 of the valuation hierarchy, within the fair value measurement framework.

Inventories

Inventories, consisting of donated food and retail products, are stated at their estimated fair value at the time of donation.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents assets measured at fair value by classification within the fair value hierarchy as of September 30, 2010:

	Fair Value Measurements Using:			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual funds:				
Equity funds	\$ 3,108,015	\$ -	\$ -	\$ 3,108,015
Small cap	2,408,520	-	-	2,408,520
Large cap	<u>1,311,554</u>	<u>-</u>	<u>-</u>	<u>1,311,554</u>
Total mutual funds	<u>6,828,089</u>	<u>-</u>	<u>-</u>	<u>6,828,089</u>
Bonds:				
Government bond	100,751	-	-	100,751
U.S. Treasury note	<u>481,732</u>	<u>-</u>	<u>-</u>	<u>481,732</u>
Total bonds	<u>582,483</u>	<u>-</u>	<u>-</u>	<u>582,483</u>
Limited partnership	<u>-</u>	<u>87,632</u>	<u>-</u>	<u>87,632</u>
Total investments at fair value	<u>\$ 7,410,572</u>	<u>\$ 87,632</u>	<u>\$ -</u>	<u>\$ 7,498,204</u>
Inventories	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,525,642</u>	<u>\$ 1,525,642</u>
Beneficial interests in assets held in trusts	<u>\$ -</u>	<u>\$ 7,317,692</u>	<u>\$ -</u>	<u>\$ 7,317,692</u>

The following table presents assets measured at fair value by classification within the fair value hierarchy as of September 30, 2009:

	Fair Value Measurements Using:			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments	<u>\$ 6,400,946</u>	<u>\$ 89,685</u>	<u>\$ -</u>	<u>\$ 6,490,631</u>
Inventories	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,395,847</u>	<u>\$ 1,395,847</u>
Beneficial interests in assets held in trusts	<u>\$ -</u>	<u>\$ 7,174,269</u>	<u>\$ -</u>	<u>\$ 7,174,269</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the change in fair value measurements that used Level 3 inputs during the years ended September 30, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 1,395,847	\$ 1,475,218
Net purchases and sales	<u>129,795</u>	<u>(79,371)</u>
Balance, end of year	<u>\$ 1,525,642</u>	<u>\$ 1,395,847</u>

NOTE 6 – INVENTORIES

Inventories consist of the following:

	<u>2010</u>	<u>2009</u>
Food	\$ 1,204,217	\$ 990,558
Retail products	<u>321,425</u>	<u>405,289</u>
Total inventories	<u>\$ 1,525,642</u>	<u>\$ 1,395,847</u>

NOTE 7 – BENEFICIAL INTERESTS IN ASSETS HELD IN TRUSTS

The Council is the sole beneficiary of the income earned on the assets of two irrevocable trusts that are held in perpetuity. Under the terms of one of the trust agreements, the trustee may also distribute principal balances, at the trustee's sole discretion, as long as the payments will be used to provide food and shelter to the needy.

The Council is a joint beneficiary of the income earned on the assets of another irrevocable trust in perpetuity. The income distributed is to be used to benefit the operations of the Council's dining rooms.

The Council has also been named the beneficiary of assets donated to and invested by the Catholic Community Foundation. The assets are invested in perpetuity, the income from which will be paid to the Council, unless the Council directs the income to be added to the principal of the endowment. The Catholic Community Foundation does not have the ability to vary from the donor's restriction.

Beneficial interests in assets held in trusts consist of the following:

	<u>2010</u>	<u>2009</u>
Sole beneficiary of two irrevocable trusts	\$ 6,918,229	\$ 6,793,346
Joint beneficiary of one irrevocable trust	174,111	165,893
Assets held by the Catholic Community Foundation	<u>225,352</u>	<u>215,030</u>
Total beneficial interests in assets held in trusts	<u>\$ 7,317,692</u>	<u>\$ 7,174,269</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 7 – BENEFICIAL INTERESTS IN ASSETS HELD IN TRUSTS (CONTINUED)

The income and gains (losses) from the trusts consist of the following:

	<u>2010</u>	<u>2009</u>
Gain (loss) from the change in the fair value of the trusts' assets	\$ <u>143,423</u>	\$ <u>(851,764)</u>
Income from the trusts' assets	\$ <u>532,291</u>	\$ <u>425,838</u>

NOTE 8 – LAND, PROPERTY AND EQUIPMENT

Land, property and equipment consist of the following:

	<u>2010</u>	<u>2009</u>
Land	\$ 3,380,596	\$ 3,455,326
Building and improvements	9,986,288	10,520,695
Equipment	1,003,067	904,340
Automobile and trucks	474,292	474,292
Leasehold improvements	<u>68,384</u>	<u>68,384</u>
Total	14,912,627	15,423,037
Less accumulated depreciation and amortization	<u>(5,335,054)</u>	<u>(5,406,546)</u>
Land, property and equipment, net	<u>\$ 9,577,573</u>	<u>\$ 10,016,491</u>

Depreciation and amortization expense was \$353,771 and \$406,721 for the years ended September 30, 2010 and 2009.

NOTE 9 – INVESTMENT IN HUMAN SERVICES CAMPUS, LLC

The Council has previously entered into an Operating Agreement and became a managing member of The Human Services Campus, LLC (the "Campus"). The Campus is a partnership of non-profit and governmental organizations providing leadership and high quality human services to those in need. Maricopa County originally held title to the entire campus, and provided funding for the construction of the facilities.

At September 30, the members of the Human Services Campus, LLC and their interests were as follows:

	<u>2010</u>	<u>2009</u>
The Society of St. Vincent de Paul	50.0%	50.0%
Central Arizona Shelter Services, Inc.	50.0%	50.0%

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 9 – INVESTMENT IN HUMAN SERVICES CAMPUS, LLC (CONTINUED)

All members of the Campus as well as Healthcare for the Homeless as appointed by the Maricopa County Board of Supervisors and St. Joseph the Worker Jobs Services, Inc. and Northwest Organization for Voluntary Alternatives, Inc. are managers. The Council originally contributed \$1,000 as its initial contribution to the Campus.

The Council's investment in the Campus is valued using the equity basis of accounting. Losses are limited to the initial investment and the cumulative share of gains in unrestricted net assets. The book value can not be less than \$0. As of September 30, 2010 and 2009, the Council's cumulative share of operating losses exceed the initial investment and the cumulative share of operating gains. As a result, the book value of the investment in the Campus was \$0.

NOTE 10 – NOTE PAYABLE

Note payable consists of the following:

	<u>2010</u>	<u>2009</u>
Note payable to a financial institution; original amount of \$337,979; payable in monthly installments of \$2,870, including interest at 7.75%; through May 2019; secured by deed of trust.	\$ 216,897	\$ 233,812
Less current maturities	<u>(18,273)</u>	<u>(16,915)</u>
Long-term maturities of note payable	<u>\$ 198,624</u>	<u>\$ 216,897</u>

Future maturities of the note payable are as follows:

2011	\$ 18,273
2012	19,741
2013	21,326
2014	23,040
2015	24,890
Thereafter	<u>109,627</u>
Total	<u>\$ 216,897</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 11 – IN-KIND CONTRIBUTIONS

The Council receives donated food, merchandise, pharmaceuticals, supplies and medical/dental procedures from grocery stores, businesses, individual donors, the Department of Agriculture (USDA) and through community food drives. Donated food, other than that provided by the USDA, is valued based on the estimated grocery store fair value. The USDA distributions and values are determined by the USDA. Donated merchandise is for program use and is valued at estimated fair value. The goods and procedures used by the council's Medical/Dental Clinic are valued at rates approximating fair value.

The Council leases the property for Ozanam Manor from the City of Phoenix for \$1 per year. The Council also leases the Apache Junction Thrift Store. This store leases additional storage space for approximately six months of the year. This lease space is donated to the Council.

	<u>2010</u> Amount in \$	<u>2009</u> Amount in \$
Pounds received from grocery stores and food drives	4,835,063	5,340,133
Pounds received from USDA	<u>1,041,406</u>	<u>1,785,769</u>
Total food received in pounds	<u>5,876,469</u>	<u>7,125,902</u>
Estimated grocery store market value (per pound) (net of spoilage allowance)	\$ 1.67	\$ 1.67
Estimated value of food received from grocery stores and food drives	\$ 8,074,555	\$ 8,918,022
Estimated value of food received from USDA (\$1.00 and \$0.81 for 2010 and 2009, respectively)	<u>1,041,406</u>	<u>1,450,298</u>
Total food	\$ 9,115,961	\$ 10,368,320
Total non-food items for program use	364,454	309,922
Professional volunteer support and expenses	809,298	858,900
Medical/Dental supplies and procedures	257,207	267,660
Property, plant and equipment	<u>133,903</u>	<u>123,000</u>
Total In-kind contributions	<u>\$ 10,680,823</u>	<u>\$ 11,927,802</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 11 – IN-KIND CONTRIBUTIONS (CONTINUED)

The Council utilizes volunteer services in all areas. The estimated value of volunteer services that require specialized skills and would otherwise need to be purchased are recorded as support and expense in the period provided. Professional services are contributed to the programs by various professionals in the medical, dental, legal, financial and social work fields. In addition to the professional services, non-professional volunteer hours were contributed throughout the Council. Such services have not been recorded as revenue or expense in the accompanying financial statements. The service hours are shown below:

	<u>2010</u>	<u>2009</u>
Professional volunteer hours	16,056	17,186
Non-professional volunteer hours	264,609	251,000

NOTE 12 – LEASE COMMITMENTS

The Council enters into various operating leases for equipment and facilities. The Council operated two thrift stores under month-to-month leases and three thrift stores under long term leases. Facilities rent expense totaled \$452,984 and \$402,813 for the years ended September 30, 2010 and 2009, respectively.

The Council also enters into long term leases for vehicles and other equipment for use in operations. Equipment and vehicle lease expense was \$242,364 and \$235,427 for the years ended September 30, 2010 and 2009, respectively.

Future minimum payments under all lease commitments are as follows:

2011	\$ 580,078
2012	578,991
2013	<u>485,880</u>
Total	<u>\$ 1,644,949</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 13 – RESTRICTED ASSETS AND DESIGNATED FUNDS

Temporarily restricted net assets are restricted by the donor for the following purposes at September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Any Council operations (time restricted)	\$ 119,708	\$ 814,464
Ozanam Manor Shelter (pledges)	77,985	187,297
Medical/dental clinic (pledges and gifts)	283,707	431,109
Ministries (pledges and gifts)	175,720	68,738
Food services (pledges and gifts)	130,065	80,908
Retail operations	5,000	-
Human services campus - building	<u>1,907,463</u>	<u>1,960,083</u>
Total	<u>\$ 2,699,648</u>	<u>\$ 3,542,599</u>

Net assets of \$1,079,543 and \$528,492 were released from restrictions during 2010 and 2009, respectively, by meeting the time and purpose restriction of the gifts.

A summary of permanently restricted net assets, which are restricted for investment in perpetuity by the donor, as of September 30, 2010 and 2009 follows:

	<u>2010</u>	<u>2009</u>
Endowments:		
Medical/dental clinic operations	\$ 6,270,543	\$ 6,222,363
Ministries	15,000	15,000
Conferences	56,608	46,680
Cuernavaca	10,000	-
Dining room	<u>210,500</u>	<u>180,500</u>
Donor endowments	6,562,651	6,464,543
Beneficial interest in assets held in trust:		
Providing food and shelter to the needy	5,972,183	5,888,898
Any Council operations	1,171,398	1,119,479
Dining room operations	174,111	165,892
Other:		
Human services campus (land)	<u>1,171,243</u>	<u>1,171,243</u>
Total	<u>\$15,051,586</u>	<u>\$14,810,055</u>

The Council's endowments consist of several funds established to support operations. Its endowments consist of donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 13 – RESTRICTED ASSETS AND DESIGNATED FUNDS (CONTINUED)

Interpretation of Relevant Law

The Board of Directors of the Council has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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. Consequently, the Council classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Council's Board. In accordance with SPMIFA, the Council 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 purpose of the Council and the donor-restricted endowment fund
3. General economic conditions
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 Council
7. The investment policies of the Council

Endowment Net Asset Composition by Type of Fund as of September 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (539,508)	\$ -	\$ 6,562,651	\$ 6,023,143

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 13 – RESTRICTED ASSETS AND DESIGNATED FUNDS (CONTINUED)

Changes in endowment net assets for the year ended September 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (851,391)	\$ -	\$ 6,464,543	\$ 5,613,152
Investment return:				
Investment income	-	98,316	-	98,316
Net appreciation	<u>311,883</u>	<u>-</u>	<u>-</u>	<u>311,883</u>
Total investment return	311,883	98,316	-	410,199
Contributions	-	-	98,108	98,108
Appropriation of assets for expenditure	<u>-</u>	<u>(98,316)</u>	<u>-</u>	<u>(98,316)</u>
Endowment net assets, end of year	<u>\$ (539,508)</u>	<u>\$ -</u>	<u>\$ 6,562,651</u>	<u>\$ 6,023,143</u>

Endowment Net Asset Composition by Type of Fund as of September 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (851,391)	\$ -	\$ 6,464,543	\$ 5,613,152

Changes in endowment net assets for the year ended September 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$(1,051,924)	\$ -	\$ 6,325,662	\$ 5,273,738
Investment return:				
Investment income	-	119,402	-	119,402
Net appreciation	<u>200,533</u>	<u>-</u>	<u>-</u>	<u>200,533</u>
Total investment return	200,533	119,042	-	319,935
Contributions	-	-	138,881	138,881
Appropriation of assets for expenditure	<u>-</u>	<u>(119,402)</u>	<u>-</u>	<u>(119,402)</u>
Endowment net assets, end of year	<u>\$ (851,391)</u>	<u>\$ -</u>	<u>\$ 6,464,543</u>	<u>\$ 5,613,152</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 13 – RESTRICTED ASSETS AND DESIGNATED FUNDS (CONTINUED)

Return Objectives and Risk Parameters

The Council has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a mix of relevant benchmarks, while assuming a moderate level of investment risk. The Council expects its endowment funds, over time, to provide an average rate of return ranging between 4% to 7% annually.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Council to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$539,508 and \$851,391 as of September 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations.

NOTE 14 – EMPLOYEE BENEFIT PLAN

The Council sponsors a defined contribution plan (Plan) under Section 401(k) of the Internal Revenue Code. The Plan covers substantially all employees who have completed one year of service. Under the Plan, employees may contribute up to 25% of their earnings on a pre-tax basis, not to exceed certain federal limitations. The Council will match 50% of the employee's contributions up to 10% of the employee's annual earnings. Participants are fully vested in their contributions and become fully vested in the Council's contributions over five years. The Council's contribution expense during the years ended September 30, 2010 and 2009, was \$204,386 and \$192,610, respectively.

NOTE 15 – CONCENTRATION OF RISK

The Council maintains all of its cash with high-credit quality financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. The unlimited guarantee of non-interest-bearing transaction deposit accounts is over and above the \$250,000 coverage on all deposit accounts.

A majority of donated food received from grocery stores is from one provider.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 16 – RELATED PARTY TRANSACTIONS

Accounts receivable of \$86,385 and \$106,008 as of September 30, 2010 and 2009, respectively, were due from other district councils.

Notes receivable of \$152,141 and \$172,713 as of September 30, 2010 and 2009, respectively, were due from other district councils.

Accounts payable of \$9,291 and \$39,588 as of September 30, 2010 and 2009, respectively were owed to other district councils.

The Council shares common areas and associated expenses for those common areas with the other member of the Human Services Campus.

The Council provides various means of support to the conferences. A service fee is collected from the Conferences for donated food and thrift store items are sold at discounted prices to the conferences. The conferences provide the food and these items to their clients at no charge. Funding is also provided to eligible Conferences. Districts Councils tithe ten percent of their qualifying revenues to the Council. These related party transactions for the years ended September 30, 2010 and 2009, were as follows:

	<u>2010</u>	<u>2009</u>
Revenues:		
Conference sales and other revenue	\$ 498,390	\$ 444,430
District tithing	<u>46,052</u>	<u>40,355</u>
Total Revenues	<u>\$ 544,442</u>	<u>\$ 484,785</u>
Expense:		
Funding	<u>\$ 128,400</u>	<u>\$ 121,400</u>

NOTE 17 – FEDERAL GRANTS

The Council participates in a number of federal and state-assisted grant and contract programs which are subject to financial and compliance audits. Accordingly, the Council's compliance with applicable grant or contract requirements may be established at some future date. The amount, if any, of expenditures or fees for units of service which may be disallowed by the granting or contracting agencies cannot be determined at this time, although Council management expects such amounts, if any, to be immaterial.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009**

NOTE 18 – SUBSEQUENT EVENTS

Management evaluated subsequent events through April 20, 2011, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2010, but prior to April 20, 2011, that provided additional evidence about conditions that existed at September 30, 2010, have been recognized in the financial statements for the year ended September 30, 2010. Events or transactions that provided evidence about conditions that did not exist at September 30, 2010, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended September 30, 2010.

This information is an integral part of the accompanying financial statements.

SINGLE AUDIT REPORTS

**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**

Audit Committee
The Diocesan Council of the Society of
St. Vincent de Paul, Diocese of Phoenix
Phoenix, Arizona

We have audited the financial statements of The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix (the Council) as of and for the year ended September 30, 2010, and have issued our report thereon dated April 20, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of 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*.

We noted certain other matters that we have reported to management of the Council in a separate letter dated April 20, 2011.

This report is intended solely for the information and use of the Audit Committee, Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Anderson LLP

Phoenix, Arizona
April 20, 2011

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Audit Committee
The Diocesan Council of the Society of
St. Vincent de Paul, Diocese of Phoenix
Phoenix, Arizona

Compliance

We have audited the compliance of The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix (the Council) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2010. The Council's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

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 the Council'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. Our audit does not provide a legal determination of the Council's compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2010.

Internal Control Over Compliance

The management of the Council is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 the entity'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.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Audit Committee, Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Phoenix, Arizona
April 20, 2011

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Directors
The Diocesan Council of the Society of
St. Vincent de Paul, Diocese of Phoenix
Phoenix, Arizona

We have audited the basic financial statements of The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix, as of and for the year ended September 30, 2010, and have issued our report thereon dated April 20, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Audit Committee, Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Phoenix, Arizona
April 20, 2011

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2010**

Section I – Summary of Auditor’s Results

Financial Statements

The type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.569	Emergency Food Assistance Program (Food Commodities)
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

(Continued)

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended September 30, 2010**

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended September 30, 2010**

Section IV – Prior Year Federal Award Findings and Questioned Costs

Finding 09-1

Emergency Food and Shelter National Board Program, CFDA No. 97.024, 97.114

Condition

The Council did not document suspension or debarment of certain vendors.

Criteria

Vendors are to be documented that they are not suspended or debarred from providing services.

Effect

Services could be provided to the Council by vendors that have been suspended or debarred.

Cause

The Council does not have a documented policy for checking debarment or suspension of vendors.

Recommendation

Incorporate the federal regulation in the purchasing policy to verify vendors are not suspended from providing services.

Questioned Costs

None

Client Response

The Council has determined that none of its vendors are included on the debarred or suspended list. The Council has adopted a new policy that checks the suspension or debarment list for any new vendors and also, once a year to check the suspension or debarred list for our current vendors. This policy will be formally written and vendors documented for suspension or debarment to ensure compliance.

Contact Person

Marcus Anderson, Director of Finance and Administration

Status

Not a finding for the year ended September 30, 2010.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended September 30, 2010**

Section IV – Prior Year Federal Award Findings and Questioned Costs (Continued)

Finding 09-2

Emergency Food Assistance Program (Food Commodities), CFDA No. 10.569

Condition

Three out of ten dining room site files tested did not have complete written documentation of eligibility determination in the file.

Criteria

Each dining room site must be eligible to provide services.

Effect

The dining room site may not be eligible to provide services.

Cause

The dining room site file was not updated for all of the required eligibility determination documentation.

Recommendation

Each dining room site file shall contain all of the eligibility determination documentation.

Questioned Costs

None

Client Response

Each dining room site now has the eligibility determination documentation. The Council visits these sites annually in May, except for a few sites that are not open in May. The Council then visits those sites in September.

Contact Person

Marcus Anderson, Director of Finance and Administration

Status

Not a finding for the year ended September 30, 2010.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2010**

<u>Federal Grant/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture (USDA):			
Passed through Arizona Department of Economic Security:			
Emergency Food Assistance Program (Food Commodities)	10.569	N/A	<u>\$ 1,041,406*</u>
U.S. Department of Health and Human Services:			
Passed through Arizona Department of Economic Security:			
Social Services Block Grant	93.667	DES070064-007	<u>132,104</u>
U.S. Department of Housing and Urban Development:			
Passed through City of Phoenix:			
Emergency Shelter Grant	14.231	123769-001	29,098
Emergency Shelter Grant	14.231	123769-002	<u>68,907</u>
Total Department of Housing and Urban Development			<u>98,005</u>
U.S. Department of Homeland Security:			
Passed through WHEAT:			
Emergency Food and Shelter National Board Program	97.024	19-0256-010	490,000
Emergency Food and Shelter National Board Program – ARRA	97.114	19-0256-010	<u>40,000</u>
Total U.S. Department of Homeland Security			<u>530,000</u>
U.S. Department of Energy:			
Passed through Arizona Department of Commerce:			
Energy Efficiency and Conservation Block Grant Program – ARRA	81.014	DE-EE0000106	<u>48,530</u>
U.S. Department of Veterans Assistance:			
Passed through Department of Veterans Affairs:			
Transitional Housing for Homeless Veterans	64.024	VA-258-08- RP-0138	<u>204,139</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,054,184</u>

* Indicates a major program for the fiscal year ended September 30, 2010.

This schedule should be read in connection with the
accompanying notes to the schedule of expenditures of federal awards.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix (the Council) and is presented on the accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the Catalog of Federal Domestic Assistance.

Nonmonetary Assistance

Nonmonetary assistance is reported in the schedule at fair value, as provided by USDA, of the commodities received and disbursed. At September 30, 2010, the Council had USDA food commodities totaling \$195,953 in inventory.

This schedule should be read in connection with the
accompanying notes to the schedule of expenditures of federal awards.