

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

**FINANCIAL STATEMENTS  
September 30, 2012 and 2011**

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## 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, 2012 and 2011, 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, 2012 and 2011, 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.

*CliftonLarsonAllen LLP*

Phoenix, Arizona  
February 27, 2013

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
STATEMENTS OF FINANCIAL POSITION  
September 30, 2012 and 2011**

**ASSETS**

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 200,673	\$ 106,884
Accounts receivable, net	133,493	95,775
Contributions receivable, net	18,039	98,440
Notes receivable, net	68,650	81,924
Other receivables	104,566	140,354
Investments	9,893,587	7,960,585
Inventories	988,381	1,476,706
Beneficial interest in remainder trust	267,973	-
Beneficial interests in assets held in trusts	7,793,220	6,933,648
Land, property and equipment	11,108,633	11,030,142
Other assets	<u>190,367</u>	<u>243,607</u>
 <b>TOTAL ASSETS</b>	 <b><u>\$ 30,767,582</u></b>	 <b><u>\$ 28,168,065</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 545,622	\$ 378,820
Accrued expenses	638,312	703,459
Charitable gift annuities payable	581,966	479,021
Notes payable	<u>619,546</u>	<u>198,623</u>
 Total liabilities	 <u>2,385,446</u>	 <u>1,759,923</u>

**NET ASSETS**

Unrestricted	10,456,944	9,610,509
Temporarily restricted	2,334,906	2,080,608
Permanently restricted	<u>15,590,286</u>	<u>14,717,025</u>
 Total net assets	 <u>28,382,136</u>	 <u>26,408,142</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 30,767,582</u></b>	<b><u>\$ 28,168,065</u></b>
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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, 2012 and 2011**

	2012			2011				
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
<b>SUPPORT AND REVENUES</b>								
In-kind contributions	\$ 10,107,452	\$ -	\$ -	\$ 10,107,452	\$ 11,737,613	\$ -	\$ -	\$ 11,737,613
Donated merchandise	4,736,683	-	-	4,736,683	4,720,995	-	-	4,720,995
Bequests and trusts contributions	1,042,942	267,973	-	1,310,915	469,337	80,000	-	549,337
Contributions	5,475,071	-	13,689	5,488,760	5,187,591	-	49,483	5,237,074
Government and other grants	1,458,096	360,000	-	1,818,096	1,525,729	37,000	-	1,562,729
Interest and dividends	139,069	-	-	139,069	178,479	-	-	178,479
Unrealized and realized gain (loss)	1,654,678	-	-	1,654,678	(381,874)	-	-	(381,874)
Change in value on charitable gift annuities	(61,213)	-	-	(61,213)	(53,015)	-	-	(53,015)
Earnings on beneficial interest	457,302	-	-	457,302	523,261	-	-	523,261
in assets held in trusts	-	-	859,572	859,572	-	-	(384,044)	(384,044)
Change in value of beneficial interest	246,207	-	-	246,207	289,655	-	-	289,655
in assets held in trusts	373,675	(373,675)	-	-	736,040	(736,040)	-	-
Other	-	-	-	-	-	-	-	-
Net assets released from restriction	-	-	-	-	-	-	-	-
	<u>25,629,962</u>	<u>254,298</u>	<u>873,261</u>	<u>26,757,521</u>	<u>24,933,811</u>	<u>(619,040)</u>	<u>(334,561)</u>	<u>23,980,210</u>
Total support and revenues								
<b>FUNCTIONAL EXPENSES</b>								
Program services:								
Food reclamation center	7,529,188	-	-	7,529,188	7,634,258	-	-	7,634,258
Retail operations	4,554,866	-	-	4,554,866	4,396,908	-	-	4,396,908
Food services and dining room ministry	4,141,136	-	-	4,141,136	4,100,759	-	-	4,100,759
Medical/dental clinic	2,766,531	-	-	2,766,531	2,708,557	-	-	2,708,557
Ozanam Manor Shelter	743,837	-	-	743,837	757,653	-	-	757,653
Special events and projects	1,050,258	-	-	1,050,258	1,154,063	-	-	1,154,063
Conferences and volunteers	677,632	-	-	677,632	654,019	-	-	654,019
Transient, homeless, incarcerated and medical equipment ministries	601,178	-	-	601,178	708,027	-	-	708,027
	<u>22,064,626</u>	<u>-</u>	<u>-</u>	<u>22,064,626</u>	<u>22,114,244</u>	<u>-</u>	<u>-</u>	<u>22,114,244</u>
Total program services								
Support services:								
Management and administration	1,148,756	-	-	1,148,756	1,100,688	-	-	1,100,688
Community relations	424,063	-	-	424,063	505,723	-	-	505,723
Fund raising/development	1,146,082	-	-	1,146,082	1,038,820	-	-	1,038,820
	<u>2,718,901</u>	<u>-</u>	<u>-</u>	<u>2,718,901</u>	<u>2,645,231</u>	<u>-</u>	<u>-</u>	<u>2,645,231</u>
Total support services								
Total functional expenses	<u>24,783,527</u>	<u>-</u>	<u>-</u>	<u>24,783,527</u>	<u>24,759,475</u>	<u>-</u>	<u>-</u>	<u>24,759,475</u>
Changes in net assets	846,435	254,298	873,261	1,973,994	174,336	(619,040)	(334,561)	(779,265)
<b>NET ASSETS, BEGINNING OF YEAR</b>	9,610,509	2,080,608	14,717,025	26,408,142	9,436,173	2,699,648	15,051,586	27,187,407
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 10,456,944</u>	<u>\$ 2,334,906</u>	<u>\$ 15,590,286</u>	<u>\$ 28,382,136</u>	<u>\$ 9,610,509</u>	<u>\$ 2,080,608</u>	<u>\$ 14,717,025</u>	<u>\$ 26,408,142</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, 2012**

	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	\$ 485,718	\$ 2,658,924	\$ 971,386	\$ 1,021,032	\$ 494,706	\$ 128,681	\$ 487,617	\$ 210,630	\$ 6,458,694		
Advertising	-	41,058	-	174	-	-	-	-	41,232		
Council direct aid	-	-	-	-	-	115,400	-	-	115,400		
Depreciation and amortization	30,920	123,052	332,734	5,331	655	11,267	20,751	24,564	549,274		
Direct client costs	-	-	9,803	139,156	27,284	120,794	56	186,405	483,498		
Equipment and supplies	20,298	69,955	139,195	19,650	37,285	31,807	54,189	24,245	396,624		
Food	218,821	-	258,134	-	6,912	5,053	-	-	488,920		
In-kind expenses	6,579,177	46,683	1,967,188	1,457,945	128,715	255,405	7,299	54,782	10,497,194		
Insurance	19,938	53,379	96,262	7,135	5,309	3,166	7,030	3,800	196,019		
Maintenance and repairs	42,953	99,856	93,493	17,771	8,790	4,728	5,655	12,535	285,781		
Miscellaneous	16,594	409,731	7,408	4,452	864	108,579	4,188	5,671	557,487		
Outside services	27,200	165,540	52,626	54,084	8,011	11,697	4,909	21,148	345,215		
Printing	1,711	3,677	2,145	1,154	87	774	14,199	535	24,282		
Rent	-	409,387	-	-	-	-	-	-	409,387		
Security	318	7,728	1,345	275	898	234	244	1,505	12,547		
Special events/projects	249	-	26,690	1,920	-	230,794	6,344	-	265,997		
Telephone and postage	7,615	38,365	15,786	7,952	9,944	6,541	19,356	11,042	116,601		
Transportation costs	26,602	244,607	37,571	2,902	4,140	10,697	1,240	2,886	330,645		
Travel/meetings	81	16,520	4,066	7,878	3,081	4,407	32,098	31	68,162		
Utilities	50,993	166,404	125,304	17,720	7,156	234	12,457	41,399	421,667		
<b>TOTALS</b>	<b>\$ 7,529,188</b>	<b>\$ 4,554,866</b>	<b>\$ 4,141,136</b>	<b>\$ 2,766,531</b>	<b>\$ 743,837</b>	<b>\$ 1,050,258</b>	<b>\$ 677,632</b>	<b>\$ 601,178</b>	<b>\$ 22,064,626</b>		

(Continued)

THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)  
Year Ended September 30, 2012

	<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	\$ 858,374	\$ 144,326	\$ 510,067	\$ 1,512,767	\$ 7,971,461
Advertising	400	72,829	443	73,672	114,904
Council direct aid	-	-	-	-	115,400
Depreciation and amortization	7,330	19,683	1,528	28,541	577,815
Direct client costs	-	-	-	-	483,498
Equipment and supplies	28,219	23,691	65,198	117,108	513,732
Food	-	-	35	35	488,955
In-kind expenses	5,767	2,485	45,030	53,282	10,550,476
Insurance	1,309	445	1,062	2,816	198,835
Maintenance and repairs	9,625	2,562	20,511	32,698	318,479
Miscellaneous	33,641	1,273	38,909	73,823	631,310
Outside services	126,969	6,199	112,718	245,886	591,101
Printing	3,467	105,981	238,071	347,519	371,801
Rent	-	-	-	-	409,387
Security	687	229	229	1,145	13,692
Special events/projects	50	-	5,340	5,390	271,387
Telephone and postage	13,920	34,315	77,560	125,795	242,396
Transportation costs	-	-	3,444	3,444	334,089
Travel/meetings	55,493	8,607	12,710	76,810	144,972
Utilities	3,505	1,438	13,227	18,170	439,837
<b>TOTALS</b>	<b>\$ 1,148,756</b>	<b>\$ 424,063</b>	<b>\$ 1,146,082</b>	<b>\$ 2,718,901</b>	<b>\$ 24,783,527</b>

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, 2011**

	Program Services										Total Program Services
	Food Reclamation Center	Food Services	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		
Salaries and benefits	\$ 570,342	\$ 1,048,645	\$ 2,711,251	\$ 1,048,645	\$ 1,015,298	\$ 499,915	\$ 156,614	\$ 458,638	\$ 283,333	\$ 6,744,036	
Advertising	-	-	36,185	-	265	-	-	-	-	36,450	
Council direct aid	-	-	-	-	-	-	119,700	-	-	119,700	
Depreciation and amortization	32,870	177,033	50,239	177,033	10,646	857	11,299	21,026	23,844	327,814	
Direct client costs	-	41,111	-	41,111	165,956	26,720	110,680	-	201,505	545,972	
Equipment and supplies	28,674	144,490	75,007	144,490	11,195	33,699	21,846	35,586	25,233	375,730	
Food	237,388	311,338	209	311,338	-	7,361	1,048	-	-	557,344	
In-kind expenses	6,570,194	1,860,187	36,667	1,860,187	1,318,067	126,424	349,090	30,688	81,309	10,372,626	
Insurance	16,131	84,973	43,762	84,973	12,944	7,204	2,530	4,616	1,906	174,066	
Maintenance and repairs	31,577	119,078	57,459	119,078	25,478	13,606	2,270	3,676	13,499	266,643	
Miscellaneous	21,178	23,003	311,960	23,003	36,580	9,654	86,219	5,305	10,237	504,136	
Outside services	37,620	31,366	180,567	31,366	73,695	6,476	37,408	16,276	12,739	396,147	
Printing	881	1,391	3,593	1,391	888	183	5,439	8,318	662	21,355	
Rent	-	-	338,894	-	-	-	-	-	-	338,894	
Security	335	1,597	8,611	1,597	341	270	239	250	1,774	13,417	
Special events/projects	-	52,414	-	52,414	150	-	219,933	6,287	-	278,784	
Telephone and postage	9,297	16,686	44,675	16,686	8,408	11,126	1,695	19,400	12,227	123,514	
Transportation costs	25,818	48,389	320,795	48,389	2,599	4,122	12,304	931	2,584	417,542	
Travel/meetings	1,186	3,109	14,710	3,109	8,703	2,918	15,521	31,739	539	78,425	
Utilities	50,767	135,949	162,324	135,949	17,344	7,118	228	11,283	36,636	421,649	
<b>TOTALS</b>	<b>\$ 7,634,258</b>	<b>\$ 4,100,759</b>	<b>\$ 4,396,908</b>	<b>\$ 4,100,759</b>	<b>\$ 2,708,557</b>	<b>\$ 757,653</b>	<b>\$ 1,154,063</b>	<b>\$ 654,019</b>	<b>\$ 708,027</b>	<b>\$ 22,114,244</b>	

(Continued)



THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)  
Year Ended September 30, 2011

	<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	\$ 849,661	\$ 180,834	\$ 466,245	\$ 1,496,740	\$ 8,240,776
Advertising	-	74,262	7,139	81,401	117,851
Council direct aid	-	-	-	-	119,700
Depreciation and amortization	9,919	7,625	9,241	26,785	354,599
Direct client costs	-	-	-	-	545,972
Equipment and supplies	29,688	17,082	89,797	136,567	512,297
Food	-	-	2,343	2,343	559,687
In-kind expenses	618	15,820	174,596	191,034	10,563,660
Insurance	1,087	332	208	1,627	175,693
Maintenance and repairs	7,172	4,249	5,484	16,905	283,548
Miscellaneous	40,014	1,199	37,822	79,035	583,171
Outside services	98,790	13,362	97,016	209,168	605,315
Printing	4,229	146,658	86,122	237,009	258,364
Rent	-	-	-	-	338,894
Security	699	233	233	1,165	14,582
Special events/projects	-	-	15,388	15,388	294,172
Telephone and postage	13,548	32,828	42,575	88,951	212,465
Transportation costs	-	-	-	-	417,542
Travel/meetings	41,837	10,308	3,095	55,240	133,665
Utilities	3,426	931	1,516	5,873	427,522
<b>TOTALS</b>	<u>\$ 1,100,688</u>	<u>\$ 505,723</u>	<u>\$ 1,038,820</u>	<u>\$ 2,645,231</u>	<u>\$ 24,759,475</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, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 1,973,994	\$ (779,265)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	577,815	354,599
Net realized and unrealized (gain) loss on investments	(1,654,678)	381,874
Change in value of beneficial interest in remainder trust	(267,973)	-
Changes in value of beneficial interests in assets held in trusts	(859,572)	384,044
Contributed property and equipment	-	(1,288,739)
Contributions restricted for long-term investment	(13,689)	(49,483)
Changes in allowance on contributions receivable	(41,712)	(267,660)
Changes in the discount on contributions receivable	(2,831)	(12,859)
Changes in the discount on notes receivable	(25,630)	-
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(37,718)	(37,032)
Contributions receivable	124,944	427,347
Other receivables	35,788	(85,762)
Inventories	488,325	48,936
Other assets	53,240	(25,610)
Accounts payable	166,802	(221,202)
Accrued expenses	(65,147)	260,337
Charitable gift annuities payable	102,945	220,280
	<u>554,903</u>	<u>(690,195)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Collections from notes receivable	38,904	79,909
Proceeds from sale of investments	1,112,326	2,142,676
Purchases of investments	(1,390,650)	(966,864)
Purchases of property and equipment	(656,306)	(518,429)
	<u>(895,726)</u>	<u>737,292</u>

(Continued)

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
STATEMENTS OF CASH FLOWS (CONTINUED)  
Years Ended September 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on notes payable	\$ (100,173)	\$ (18,274)
Proceeds from notes payable	521,096	-
Contributions restricted for long-term investment	<u>13,689</u>	<u>49,483</u>
Net cash provided by financing activities	<u>434,612</u>	<u>31,209</u>
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	 93,789	 78,306
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	 <u>106,884</u>	 <u>28,578</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	 <u>\$ 200,673</u>	 <u>\$ 106,884</u>
 <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 29,563</u>	<u>\$ 16,169</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, 2012 and 2011**

**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.

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**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.

**Cash and Cash Equivalents**

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

**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 sales value at the time of donation. Donated inventories decreased by \$488,325 at September 30, 2012, as compared to September 30, 2011. Donated inventories decreased by \$48,936 at September 30, 2011, as compared to September 30, 2010.

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Beneficial Interest in Remainder Trust**

The Council is the beneficiary of an irrevocable charitable remainder trust. Under the terms of the trust agreement, the Council is to receive interest payments annually over the specified terms in the trust agreement and a remainder interest in the assets at the end of the trust term. Upon the termination of the trust agreement, the remaining trust assets are distributed. The charitable remainder trust is carried at fair value. Based on the terms of the trust and the Council's percentage distribution, the fair value of future benefits expected to be received by the Center was estimated to be \$267,973 and \$0 at September 30, 2012 and 2011, respectively.

**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 change in value of beneficial interest in assets held in trust, 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.

**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, 2012 and 2011.

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Charitable Gift Annuities**

The Council receives contributions of assets in exchange for a promise by the Council to pay a fixed amount for a specified period of time to the donor or to donor-designated beneficiaries. The assets are invested and administered by the Council and distributions are made to the beneficiaries under the terms of the agreement. These assets received are held in the investments of the Council and the annuity liability is a general obligation of the Council. The initial recognition and subsequent adjustments to the assets' carrying values are reported as a change in value on charitable gift annuities on the statements of activities and changes in net assets.

Obligations under the charitable gift annuities are recorded when incurred at the present value of the anticipated distributions to be made to the donor-designated beneficiaries. Distributions are paid over the lives of the beneficiaries or another specific period. Present values are determined using appropriate discount rates and actuarially determined life expectancies. Obligations under these agreements are revalued annually at September 30 to reflect actuarial experience; the discount rate is not changed. The net revaluations, together with any remaining recorded obligations after all trust or gift obligations under terminated agreements have been satisfied, are recorded as net changes in the value on charitable gift annuities.

**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 restriction. 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.

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government Grants**

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

**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 and 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 informational tax returns of the Council are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they are 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 distribution to the 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.



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**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 eighteen 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.

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.

Conferences and Volunteers: Activities include supporting the Parish Conferences, coordinating and organizing approximately 15,000 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.

**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.

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**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>2012</u>	<u>2011</u>
Contributions receivable before unamortized discount and allowance for uncollectibles	\$ 18,039	\$ 142,983
Less unamortized discount	-	(2,831)
Less allowance for uncollectibles	<u>-</u>	<u>(41,712)</u>
<b>Net contributions receivable</b>	<u>\$ 18,039</u>	<u>\$ 98,440</u>
Gross amounts due in:		
Less than one year	\$ 18,039	\$ 132,183
One to five years	<u>-</u>	<u>10,800</u>
<b>Total</b>	<u>\$ 18,039</u>	<u>\$ 142,983</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 year ended September 30, 2011, this rate was approximately 6%.

**NOTE 3 – NOTES RECEIVABLE**

Notes receivable consist of the following:

	<u>2012</u>	<u>2011</u>
Non-interest bearing unsecured note receivable due from other district councils; original amount of \$50,000; due in monthly installments of \$1,000. Note was paid in full as of September 30, 2012.	\$ -	\$ 8,000

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**NOTE 3 – NOTES RECEIVABLE (CONTINUED)**

	<u>2012</u>	<u>2011</u>
Note receivable; secured by a building; original amount of \$130,000; being paid in monthly installments, including interest of 9%, through January 2013.	18,653	20,985
Other district councils; non-interest bearing unsecured note receivable; original amount of \$200,000; due in monthly installments of \$2,381, through June 2014.	<u>49,997</u>	<u>78,569</u>
Total notes receivable	68,650	107,554
Less unamortized discount	<u>-</u>	<u>(25,630)</u>
<b>Total notes receivable, net</b>	<b><u>\$ 68,650</u></b>	<b><u>\$ 81,924</u></b>

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

Future maturities of the notes receivable are as follows:

2013	\$ 47,225
2014	<u>21,425</u>
<b>Total</b>	<b><u>\$ 68,650</u></b>

**NOTE 4 – INVESTMENTS**

Investments consist of the following:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 347,537	\$ 420,575	\$ 146,618	\$ 146,618
Mutual funds	6,762,832	7,182,784	7,651,246	6,357,193
Bonds	887,894	1,006,358	745,705	813,348
Certificates of deposit	<u>1,263,370</u>	<u>1,283,870</u>	<u>625,050</u>	<u>643,426</u>
<b>Total investments</b>	<b><u>\$ 9,261,634</u></b>	<b><u>\$ 9,893,587</u></b>	<b><u>\$ 9,168,619</u></b>	<b><u>\$ 7,960,585</u></b>

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**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 framework follows:

**Investments**

The Council's investments are held in accounts with various brokerage firms. 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.

**Beneficial Interests in Assets Held in Trust and Remainder 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.

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**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, 2012:

	<u>Fair Value Measurements Using:</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Mutual funds:				
Equity funds	\$ 3,229,425	\$ -	\$ -	\$ 3,229,425
Small cap	2,555,994	-	-	2,555,994
Large cap	<u>1,397,365</u>	<u>-</u>	<u>-</u>	<u>1,397,365</u>
Total mutual funds	<u>7,182,784</u>	<u>-</u>	<u>-</u>	<u>7,182,784</u>
Bonds:				
Government bond	432,151	-	-	432,151
U.S. Treasury note	<u>574,207</u>	<u>-</u>	<u>-</u>	<u>574,207</u>
Total bonds	<u>1,006,358</u>	<u>-</u>	<u>-</u>	<u>1,006,358</u>
<b>Total investments at fair value</b>	<u>\$ 8,189,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,189,142</u>
Beneficial interest in remainder trust	<u>\$ -</u>	<u>\$ 267,973</u>	<u>\$ -</u>	<u>\$ 267,973</u>
Beneficial interests in assets held in trusts	<u>\$ -</u>	<u>\$ 7,793,220</u>	<u>\$ -</u>	<u>\$ 7,793,220</u>

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**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, 2011:

	<u>Fair Value Measurements Using:</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Mutual funds:				
Equity funds	\$ 2,718,419	\$ -	\$ -	\$ 2,718,419
Small cap	2,298,553	-	-	2,298,553
Large cap	<u>1,340,221</u>	<u>-</u>	<u>-</u>	<u>1,340,221</u>
Total mutual funds	<u>6,357,193</u>	<u>-</u>	<u>-</u>	<u>6,357,193</u>
Bonds:				
Government bond	284,261	-	-	284,261
U.S. Treasury note	<u>529,087</u>	<u>-</u>	<u>-</u>	<u>529,087</u>
Total bonds	<u>813,348</u>	<u>-</u>	<u>-</u>	<u>813,348</u>
<b>Total investments at fair value</b>	<u>\$ 7,170,541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,170,541</u>
Beneficial interests in assets held in trusts	<u>\$ -</u>	<u>\$ 6,933,648</u>	<u>\$ -</u>	<u>\$ 6,933,648</u>

**NOTE 6 – INVENTORIES**

Inventories consist of the following:

	<u>2012</u>	<u>2011</u>
Food	\$ 632,304	\$ 1,075,328
Retail products	<u>356,077</u>	<u>401,378</u>
<b>Total inventories</b>	<u>\$ 988,381</u>	<u>\$ 1,476,706</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.

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

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>2012</u>	<u>2011</u>
Sole beneficiary of two irrevocable trusts	\$ 7,084,503	\$ 6,305,524
Joint beneficiary of one irrevocable trust	179,966	162,132
Assets held by the Catholic Community Foundation	<u>528,751</u>	<u>465,992</u>
<b>Total beneficial interests in assets held in trusts</b>	<u>\$ 7,793,220</u>	<u>\$ 6,933,648</u>

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

	<u>2012</u>	<u>2011</u>
Gain (loss) from the change in the fair value of the trusts' assets	<u>\$ 859,572</u>	<u>\$ (384,044)</u>
Income from the trusts	<u>\$ 457,302</u>	<u>\$ 523,261</u>

**NOTE 8 – LAND, PROPERTY AND EQUIPMENT**

Land, property and equipment consist of the following:

	<u>2012</u>	<u>2011</u>
Land	\$ 3,380,596	\$ 3,380,596
Building and improvements	10,357,097	10,357,097
Equipment	2,519,197	2,383,987
Automobile and trucks	1,050,827	529,731
Leasehold improvements	<u>68,384</u>	<u>68,384</u>
Total	17,376,101	16,719,795
Less accumulated depreciation and amortization	<u>(6,267,468)</u>	<u>(5,689,653)</u>
<b>Land, property and equipment, net</b>	<u>\$ 11,108,633</u>	<u>\$ 11,030,142</u>

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**NOTE 8 – LAND, PROPERTY AND EQUIPMENT (CONTINUED)**

Depreciation and amortization expense was \$577,815 and \$354,599 for the years ended September 30, 2012 and 2011, respectively.

**NOTE 9 – INVESTMENT IN HUMAN SERVICES CAMPUS, LLC**

The Council has previously entered into an Operating Agreement and is 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>2012</u>	<u>2011</u>
The Society of St. Vincent de Paul	50.0%	50.0%
Central Arizona Shelter Services, Inc.	50.0%	50.0%

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's share of operating expenses for the Campus was \$41,093 and \$40,514 during 2012 and 2011, respectively.

**NOTE 10 – NOTES PAYABLE**

Notes payable consists of the following:

	<u>2012</u>	<u>2011</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.	\$ 178,882	\$ 198,623
Note payable to a financial institution; original amount of \$521,096; payable in monthly installments of \$15,865; including interest at 6.05%; through May 2015; secured by vehicles.	<u>440,664</u>	<u>-</u>
Total	619,546	198,623
Less current maturities	<u>(189,657)</u>	<u>(19,741)</u>
<b>Long-term maturities of notes payable</b>	<u>\$ 429,889</u>	<u>\$ 178,882</u>



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**NOTE 10 – NOTES PAYABLE (CONTINUED)**

Future maturities of the notes payable after September 30, 2012, are as follows:

2013	\$ 189,657
2014	201,843
2015	118,420
2016	26,889
2017	29,048
Thereafter	<u>53,689</u>
<b>Total</b>	<b><u>\$ 619,546</u></b>

**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 and 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>2012</u>	<u>2011</u>
Pounds received from grocery stores and food drives	3,900,738	4,662,223
Pounds received from USDA	<u>1,053,543</u>	<u>847,261</u>
<b>Total food received in pounds</b>	<b><u>4,954,281</u></b>	<b><u>5,509,484</u></b>
Estimated grocery store market value (per pound) (net of spoilage allowance)	<u>\$ 1.67</u>	<u>\$ 1.67</u>
Estimated value of food received from grocery stores and food drives	\$ 6,514,232	\$ 7,785,913
Estimated value of food received from USDA (\$0.90 and \$0.74 for 2012 and 2011, respectively)	<u>947,742</u>	<u>627,971</u>
Total food	7,461,974	8,413,884
Total non-food items for program use	1,188,740	716,948
Professional volunteer support and expenses	1,090,196	995,605
Medical/dental supplies and procedures	366,542	322,437
Remodeling and building repairs	<u>-</u>	<u>1,288,739</u>
Total In-kind contributions	<b><u>\$ 10,107,452</u></b>	<b><u>\$ 11,737,613</u></b>

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**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>2012</u>	<u>2011</u>
Professional volunteer hours	21,300	16,831
Non-professional volunteer hours	271,461	230,299

**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 \$409,387 and \$338,894 for the years ended September 30, 2012 and 2011, respectively.

The Council also enters into long term leases for vehicles and other equipment for use in operations. Equipment and vehicle lease expense was \$144,668 and \$248,417 for the years ended September 30, 2012 and 2011, respectively. The Council purchased the vehicles during fiscal year 2012 (see Note 10).

Future minimum payments under all lease commitments are as follows:

2013	\$ 350,044
2014	47,407
2015	40,059
2016	24,063
2017	<u>17,060</u>
<b>Total</b>	<b><u>\$ 478,633</u></b>

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**NOTE 13 – RESTRICTED ASSETS AND DESIGNATED FUNDS**

Temporarily restricted net assets are restricted by the donor for the following purposes at September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Any Council operations (time restricted)	\$ 18,039	\$ 79,353
Ozanam Manor Shelter (pledges)	-	20,603
Medical/dental clinic (pledges and gifts)	182,670	90,453
Ministries (pledges and gifts)	49,000	15,000
Food services (pledges and gifts)	-	15,355
Retail operations	5,000	5,000
Other	10,000	-
Beneficial interest in remainder trust	267,973	-
Human services campus - building	<u>1,802,224</u>	<u>1,854,844</u>
<b>Total</b>	<b><u>\$ 2,334,906</u></b>	<b><u>\$ 2,080,608</u></b>

Net assets of \$373,675 and \$736,040 were released from restrictions during 2012 and 2011, 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, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
Endowments:		
Medical/dental clinic operations	\$ 6,289,835	\$ 6,277,375
Ministries	15,000	15,000
Conferences	58,388	57,259
Cuernavaca	12,100	12,000
Dining room	<u>250,500</u>	<u>250,500</u>
Donor endowments	<u>6,625,823</u>	<u>6,612,134</u>
Beneficial interest in assets held in trust:		
Providing food and shelter to the needy	6,089,030	5,431,757
Any Council operations	1,524,224	1,339,759
Dining room operations	<u>179,966</u>	<u>162,132</u>
	<u>7,793,220</u>	<u>6,933,648</u>
Other:		
Human services campus (land)	<u>1,171,243</u>	<u>1,171,243</u>
<b>Total</b>	<b><u>\$ 15,590,286</u></b>	<b><u>\$ 14,717,025</u></b>

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**NOTE 13 – RESTRICTED ASSETS AND DESIGNATED FUNDS (CONTINUED)**

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.

**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.

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, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	<u>\$ (170,307)</u>	<u>\$ -</u>	<u>\$ 6,625,823</u>	<u>\$ 6,455,516</u>

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**NOTE 13 – RESTRICTED ASSETS AND DESIGNATED FUNDS (CONTINUED)**

Changes in endowment net assets for the year ended September 30, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$(1,100,806)	\$ -	\$ 6,612,134	\$ 5,511,328
Investment return:				
Investment income	-	126,152	-	126,152
Net appreciation	930,499	-	-	930,499
Total investment return	930,499	126,152	-	1,056,651
Contributions	-	-	13,689	13,689
Appropriation of assets for expenditure	-	(126,152)	-	(126,152)
Endowment net assets, end of year	<u>\$ (170,307)</u>	<u>\$ -</u>	<u>\$ 6,625,823</u>	<u>\$ 6,455,516</u>

Endowment Net Asset Composition by Type of Fund as of September 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	<u>\$(1,100,806)</u>	<u>\$ -</u>	<u>\$ 6,612,134</u>	<u>\$ 5,511,328</u>

Changes in endowment net assets for the year ended September 30, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (539,508)	\$ -	\$ 6,562,651	\$ 6,023,143
Investment return:				
Investment income	-	130,914	-	130,914
Net depreciation	(561,298)	-	-	(561,298)
Total investment return	(561,298)	130,914	-	(430,384)
Contributions	-	-	49,483	49,483
Appropriation of assets for expenditure	-	(130,914)	-	(130,914)
Endowment net assets, end of year	<u>\$(1,100,806)</u>	<u>\$ -</u>	<u>\$ 6,612,134</u>	<u>\$ 5,511,328</u>

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**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 returns ranging between 4% and 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 \$170,307 and \$1,100,806 as of September 30, 2012 and 2011, 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 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, 2012 and 2011, was \$224,009 and \$260,128, 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 Council, in the normal course of business, periodically maintains account balances in excess of the FDIC's insurance limits.

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

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**NOTE 16 – RELATED PARTY TRANSACTIONS**

Accounts receivable of \$133,857 and \$101,644 as of September 30, 2012 and 2011, respectively, were due from other district councils.

Notes receivable of \$49,997 and \$86,569 as of September 30, 2012 and 2011, respectively, were due from other district councils.

Accounts payable of \$17,754 and \$8,509 as of September 30, 2012 and 2011, respectively were owed to other district councils.

The Council provides various means of support to various district councils. A service fee is collected from the district councils for donated food and thrift store items are sold at discounted prices to the district councils. The district councils provide the food and these items to their clients at no charge. Funding is also provided to eligible district councils. Districts councils tithe ten percent of their qualifying revenues to the Council.

**NOTE 17 – GOVERNMENT 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.

**NOTE 18 – SUBSEQUENT EVENTS**

Management evaluated subsequent events through February 27, 2013, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2012, but prior to February 27, 2013, that provided additional evidence about conditions that existed at September 30, 2012, have been recognized in the financial statements for the year ended September 30, 2012. Events or transactions that provided evidence about conditions that did not exist at September 30, 2012, 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, 2012.

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