

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

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
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SEPTEMBER 30, 2013 AND 2012**

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INDEPENDENT AUDITORS' 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 financial statements of The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix, which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Phoenix, Arizona
March 11, 2014

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2013 AND 2012**

ASSETS

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 1,079,139	\$ 200,673
Accounts receivable, net	85,067	133,493
Contributions receivable	656,598	18,039
Notes receivable	35,425	68,650
Other receivables	84,866	104,566
Investments	11,642,341	9,893,587
Inventories	1,153,041	988,381
Beneficial interest in remainder trust	261,333	267,973
Beneficial interests in assets held in trusts	8,839,154	7,793,220
Land, property and equipment, net	10,986,428	11,108,633
Other assets	<u>158,475</u>	<u>190,367</u>
TOTAL ASSETS	<u><u>\$ 34,981,867</u></u>	<u><u>\$ 30,767,582</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 636,908	\$ 408,474
Accrued expenses	673,874	638,312
Charitable gift annuities payable	700,775	581,966
Deferred revenue	635,143	137,148
Notes payable	<u>461,913</u>	<u>619,546</u>
Total liabilities	<u>3,108,613</u>	<u>2,385,446</u>

NET ASSETS

Unrestricted	11,787,029	10,456,944
Temporarily restricted	3,209,770	2,334,906
Permanently restricted	<u>16,876,455</u>	<u>15,590,286</u>
Total net assets	<u>31,873,254</u>	<u>28,382,136</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 34,981,867</u></u>	<u><u>\$ 30,767,582</u></u>
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See accompanying Notes to Financial Statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2013**

	2013			Total
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	
SUPPORT AND REVENUES				
In-kind contributions	\$10,475,175	\$ -	\$ -	\$10,475,175
Sales of donated merchandise	4,540,358	-	-	4,540,358
Bequests and trusts contributions	1,442,226	656,598	-	2,098,824
Contributions	5,496,184	99,899	240,235	5,836,318
Government and other grants	1,682,759	533,795	-	2,216,554
Interest and dividends	203,458	-	-	203,458
Unrealized and realized gains, net	1,590,690	-	-	1,590,690
Change in value on charitable gift annuities	(26,910)	-	-	(26,910)
Earnings on beneficial interest in assets held in trusts	394,509	-	-	394,509
Change in value of beneficial interest in assets held in trusts	-	(6,640)	1,045,934	1,039,294
Other	317,395	-	-	317,395
Net assets released from restriction	408,788	(408,788)	-	-
Total support and revenues	<u>26,524,632</u>	<u>874,864</u>	<u>1,286,169</u>	<u>28,685,665</u>
FUNCTIONAL EXPENSES				
Program services:				
Food reclamation center	7,082,673	-	-	7,082,673
Retail operations	4,758,091	-	-	4,758,091
Food services and dining room ministry	4,562,791	-	-	4,562,791
Medical/dental clinic	2,995,350	-	-	2,995,350
Ozanam Manor Shelter	788,166	-	-	788,166
Special events and projects	765,246	-	-	765,246
Conferences and volunteers	630,324	-	-	630,324
Transient, homeless, incarcerated and medical equipment ministries	603,938	-	-	603,938
Total program services	<u>22,186,579</u>	<u>-</u>	<u>-</u>	<u>22,186,579</u>
Support services:				
Management and administration	1,105,338	-	-	1,105,338
Community relations	327,843	-	-	327,843
Fund raising/development	1,574,787	-	-	1,574,787
Total support services	<u>3,007,968</u>	<u>-</u>	<u>-</u>	<u>3,007,968</u>
Total functional expenses	<u>25,194,547</u>	<u>-</u>	<u>-</u>	<u>25,194,547</u>
Changes in net assets	1,330,085	874,864	1,286,169	3,491,118
NET ASSETS, BEGINNING OF YEAR	<u>10,456,944</u>	<u>2,334,906</u>	<u>15,590,286</u>	<u>28,382,136</u>
NET ASSETS, END OF YEAR	<u>\$11,787,029</u>	<u>\$ 3,209,770</u>	<u>\$16,876,455</u>	<u>\$31,873,254</u>

See accompanying Notes to Financial Statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2012**

	2012			Total
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	
SUPPORT AND REVENUES				
In-kind contributions	\$10,107,452	\$ -	\$ -	\$10,107,452
Donated merchandise	4,736,683	-	-	4,736,683
Bequests and trusts contributions	1,042,942	267,973	-	1,310,915
Contributions	5,475,071	-	13,689	5,488,760
Government and other grants	1,458,096	360,000	-	1,818,096
Interest and dividends	139,069	-	-	139,069
Unrealized and realized gains, net	1,654,678	-	-	1,654,678
Change in value on charitable gift annuities	(61,213)	-	-	(61,213)
Earnings on beneficial interest in assets held in trusts	457,302	-	-	457,302
Change in value of beneficial interest in assets held in trusts	-	-	859,572	859,572
Other	246,207	-	-	246,207
Net assets released from restriction	373,675	(373,675)	-	-
Total support and revenues	<u>25,629,962</u>	<u>254,298</u>	<u>873,261</u>	<u>26,757,521</u>
FUNCTIONAL EXPENSES				
Program services:				
Food reclamation center	7,529,188	-	-	7,529,188
Retail operations	4,554,866	-	-	4,554,866
Food services and dining room ministry	4,141,136	-	-	4,141,136
Medical/dental clinic	2,766,531	-	-	2,766,531
Ozanam Manor Shelter	743,837	-	-	743,837
Special events and projects	1,050,258	-	-	1,050,258
Conferences and volunteers	677,632	-	-	677,632
Transient, homeless, incarcerated and medical equipment ministries	601,178	-	-	601,178
Total program services	<u>22,064,626</u>	<u>-</u>	<u>-</u>	<u>22,064,626</u>
Support services:				
Management and administration	1,148,756	-	-	1,148,756
Community relations	424,063	-	-	424,063
Fund raising/development	1,146,082	-	-	1,146,082
Total support services	<u>2,718,901</u>	<u>-</u>	<u>-</u>	<u>2,718,901</u>
Total functional expenses	<u>24,783,527</u>	<u>-</u>	<u>-</u>	<u>24,783,527</u>
Changes in net assets	846,435	254,298	873,261	1,973,994
NET ASSETS, BEGINNING OF YEAR	<u>9,610,509</u>	<u>2,080,608</u>	<u>14,717,025</u>	<u>26,408,142</u>
NET ASSETS, END OF YEAR	<u>\$10,456,944</u>	<u>\$ 2,334,906</u>	<u>\$15,590,286</u>	<u>\$28,382,136</u>

See accompanying Notes to Financial Statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2013**

	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, and Medical Equipment Ministries	Total Program Services
Salaries and benefits	\$ 517,979	\$ 2,804,172	\$ 1,311,626	\$1,134,667	\$514,022	\$ 143,334	\$ 426,842	\$ 226,350	\$ 7,078,992
Advertising	-	45,445	-	-	-	-	-	-	45,445
Council direct aid	-	-	-	-	-	94,322	-	-	94,322
Depreciation and amortization	29,607	210,512	352,573	5,232	14,694	11,261	19,693	24,454	668,026
Direct client costs	-	-	1,138	166,170	19,801	141,847	51	184,018	513,025
Equipment and supplies	18,507	62,413	196,177	30,867	30,129	42,419	32,414	19,552	432,478
Food	207,594	1,319	268,364	-	10,376	-	-	-	487,653
In-kind expenses	6,089,612	43,258	1,856,382	1,486,200	123,978	72,289	19,371	61,461	9,752,551
Insurance	23,840	62,967	87,497	20,014	7,856	1,923	8,185	5,349	217,631
Maintenance and repairs	49,332	157,710	170,083	23,981	11,569	3,499	16,072	13,088	445,334
Miscellaneous	17,202	258,441	18,580	1,800	3,351	114,971	2,607	3,637	420,589
Outside services	32,062	270,543	75,779	84,152	21,028	38,207	21,207	16,652	559,630
Printing	1,578	10,250	2,475	1,144	32	1,243	12,460	460	29,642
Rent	-	393,064	-	-	-	-	-	-	393,064
Security	2,354	21,797	10,482	1,287	1,867	399	906	2,475	41,567
Special events/projects	-	-	26,069	1,386	707	87,580	4,816	-	120,558
Telephone and postage	5,703	42,555	17,290	8,323	10,385	5,756	19,788	10,448	120,248
Transportation costs	33,024	180,585	27,957	2,703	5,681	4,279	855	2,688	257,772
Travel/meetings	277	14,700	3,239	8,800	5,568	1,674	32,145	326	66,729
Utilities	54,002	178,360	137,080	18,624	7,122	243	12,912	32,980	441,323
TOTALS	\$ 7,082,673	\$ 4,758,091	\$ 4,562,791	\$2,995,350	\$788,166	\$ 765,246	\$ 630,324	\$ 603,938	\$22,186,579

(Continued)

See accompanying Notes to Financial Statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2013**

Support Services

	Management and Administration	Community Relations	Fund Raising/ Development	Total Support Services	Total Functional Expenses
Salaries and benefits	\$ 783,834	\$ 63,152	\$ 529,392	\$ 1,376,378	\$ 8,455,370
Advertising	425	71,188	12,950	84,563	130,008
Council direct aid	-	-	-	-	94,322
Depreciation and amortization	3,744	19,504	2,910	26,158	694,184
Direct client costs	-	-	-	-	513,025
Equipment and supplies	36,034	24,626	86,465	147,125	579,603
Food	-	-	-	-	487,653
In-kind expenses	154	-	172,332	172,486	9,925,037
Insurance	4,674	466	1,203	6,343	223,974
Maintenance and repairs	9,842	1,470	6,034	17,346	462,680
Miscellaneous	32,300	2,283	79,324	113,907	534,496
Outside services	138,584	2,230	384,112	524,926	1,084,556
Printing	6,741	103,341	103,965	214,047	243,689
Rent	-	-	-	-	393,064
Security	873	291	291	1,455	43,022
Special events/projects	25	-	97,523	97,548	218,106
Telephone and postage	16,579	35,464	76,846	128,889	249,137
Transportation costs	-	-	3,235	3,235	261,007
Travel/meetings	67,881	2,836	16,506	87,223	153,952
Utilities	3,648	992	1,699	6,339	447,662
TOTALS	\$ 1,105,338	\$ 327,843	\$ 1,574,787	\$ 3,007,968	\$ 25,194,547

See accompanying Notes to 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
TOTALS	\$ 7,529,188	\$ 4,554,866	\$ 4,141,136	\$2,766,531	\$ 743,837	\$1,050,258	\$ 677,632	\$ 601,178	\$22,064,626

(Continued)

See accompanying Notes to Financial Statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2012**

Support Services

	Management and Administration	Community Relations	Fund Raising/ Development	Total Support Services	Total Functional Expenses
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
TOTALS	\$ 1,148,756	\$ 424,063	\$ 1,146,082	\$ 2,718,901	\$ 24,783,527

See accompanying Notes to Financial Statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 3,491,118	\$ 1,973,994
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	694,184	577,815
Net realized and unrealized (gain) loss on investments	(1,590,690)	(1,654,678)
Change in value of beneficial interest in remainder trust	6,640	(267,973)
Changes in value of beneficial interests in assets held in trusts	(1,045,934)	(859,572)
Contributed property and equipment	(492,402)	-
Contributions restricted for long-term investment	(240,235)	(13,689)
Changes in allowance on accounts receivable	(3,955)	-
Changes in allowance on contributions receivable	-	(41,712)
Changes in the discount on contributions receivable	-	(2,831)
Changes in the discount on notes receivable	-	(25,630)
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	52,381	(37,718)
Contributions receivable	(638,559)	124,944
Other receivables	19,700	35,788
Inventories	(164,660)	488,325
Other assets	31,892	53,240
Accounts payable	228,434	29,654
Accrued expenses	35,562	(65,147)
Deferred revenue	497,995	137,148
Charitable gift annuities payable	118,809	102,945
	<u>1,000,280</u>	<u>554,903</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections from notes receivable	47,225	38,904
Issuance of notes receivable	(14,000)	-
Proceeds from sale of investments	380,053	1,112,326
Purchases of investments	(538,117)	(1,390,650)
Purchases of property and equipment	(34,815)	(656,306)
	<u>(159,654)</u>	<u>(895,726)</u>

See accompanying Notes to Financial Statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	\$ (202,395)	\$ (100,173)
Proceeds from notes payable	-	521,096
Contributions restricted for long-term investments	240,235	13,689
Net cash provided by financing activities	37,840	434,612
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 878,466	 93,789
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 200,673	 106,884
 CASH AND CASH EQUIVALENTS, END OF YEAR	 \$ 1,079,139	 \$ 200,673
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 37,569	\$ 29,563
 SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment purchased with a note payable	\$ 44,762	\$ -

See accompanying Notes to Financial Statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

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 are 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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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

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 increased by \$164,660 at September 30, 2013, as compared to September 30, 2012. Donated inventories decreased by \$488,325 at September 30, 2012, as compared to September 30, 2011.

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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 \$261,333 and \$267,973 at September 30, 2013 and 2012, 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, dependent 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, 2013 and 2012.

Deferred Revenue

Deferred revenue represents cash advances that is subject to being returned.

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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. The 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 of the 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 a 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 of 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 or is met, 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 be purchased if not provided by donation.

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SEPTEMBER 30, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grants

Government grants generally cover a period of one year or less and may not coincide with the Council's fiscal year. 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 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 little or 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 improving self-sufficiency.

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 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.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (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>2013</u>	<u>2012</u>
Contributions receivable	<u>\$ 656,598</u>	<u>\$ 18,039</u>
Gross amounts due in:		
Less than one year	<u>\$ 656,598</u>	<u>\$ 18,039</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
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SEPTEMBER 30, 2013 AND 2012**

NOTE 3 NOTES RECEIVABLE

Notes receivable consist of the following:

	2013	2012
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
Other district councils; non-interest bearing unsecured note receivable; original amount of \$30,000; due in monthly installments of \$1,000, through February 2015.	14,000	-
Other district councils; non-interest bearing unsecured note receivable; original amount of \$200,000; due in monthly installments of \$2,381, through June 2014.	21,425	49,997
Total notes receivable	\$ 35,425	\$ 68,650

Future maturities of the notes receivable are as follows:

2014	\$ 28,425
2015	7,000
Total	\$ 35,425

NOTE 4 INVESTMENTS

Investments consist of the following:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 260,283	\$ 260,283	\$ 347,537	\$ 420,575
Mutual funds	7,034,053	8,966,702	6,762,832	7,182,784
Bonds	983,740	1,039,814	887,894	1,006,358
Certificates of deposit	1,368,198	1,375,542	1,263,370	1,283,870
Total investments	\$ 9,646,274	\$ 11,642,341	\$ 9,261,633	\$ 9,893,587

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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, 2013:

	Fair Value Measurements Using:			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Equity funds	\$ 3,944,265	\$ -	\$ -	\$ 3,944,265
Small cap	3,236,431	-	-	3,236,431
Large cap	1,786,006	-	-	1,786,006
Total mutual funds	<u>8,966,702</u>	<u>-</u>	<u>-</u>	<u>8,966,702</u>
Bonds:				
Government bond	410,155	-	-	410,155
U.S. Treasury note	629,659	-	-	629,659
Total bonds	<u>1,039,814</u>	<u>-</u>	<u>-</u>	<u>1,039,814</u>
Total investments at fair value	<u><u>\$ 10,006,516</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,006,516</u></u>
Beneficial interest in remainder trust	<u>\$ -</u>	<u>\$ 261,333</u>	<u>\$ -</u>	<u>\$ 261,333</u>
Beneficial interests in assets held in trusts	<u>\$ -</u>	<u>\$ 8,839,154</u>	<u>\$ -</u>	<u>\$ 8,839,154</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, 2012:

	Fair Value Measurements Using:			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Equity funds	\$ 3,229,425	\$ -	\$ -	\$ 3,229,425
Small cap	2,555,994	-	-	2,555,994
Large cap	1,397,365	-	-	1,397,365
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	574,207	-	-	574,207
Total bonds	<u>1,006,358</u>	<u>-</u>	<u>-</u>	<u>1,006,358</u>
Total investments at fair value	<u><u>\$ 8,189,142</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,189,142</u></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>

NOTE 6 INVENTORIES

Inventories consist of the following:

	<u>2013</u>	<u>2012</u>
Food	\$ 690,026	\$ 632,304
Retail products	463,015	356,077
Total inventories	<u><u>\$ 1,153,041</u></u>	<u><u>\$ 988,381</u></u>

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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>2013</u>	<u>2012</u>
Sole beneficiary of two irrevocable trusts	\$ 8,077,958	\$ 7,084,503
Joint beneficiary of one irrevocable trust	182,905	179,966
Assets held by the Catholic Community Foundation	<u>578,291</u>	<u>528,751</u>
Total beneficial interests in assets held in trusts	<u>\$ 8,839,154</u>	<u>\$ 7,793,220</u>

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

	<u>2013</u>	<u>2012</u>
Gain from the change in the fair value of the trusts' assets	<u>\$ 1,039,294</u>	<u>\$ 859,572</u>
Income from the trusts	<u>\$ 394,509</u>	<u>\$ 457,302</u>

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NOTE 8 LAND, PROPERTY AND EQUIPMENT

Land, property and equipment consist of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 3,380,596	\$ 3,380,596
Building and improvements	10,357,097	10,357,097
Equipment	2,685,477	2,519,197
Automobile and trucks	1,050,827	1,050,827
Website	312,099	-
Leasehold improvements	<u>161,984</u>	<u>68,384</u>
Total	17,948,080	17,376,101
Less accumulated depreciation and amortization	<u>(6,961,652)</u>	<u>(6,267,468)</u>
Land, property and equipment, net	<u><u>\$ 10,986,428</u></u>	<u><u>\$ 11,108,633</u></u>

Depreciation and amortization expense was \$694,184 and \$577,815 for the years ended September 30, 2013 and 2012, 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>2013</u>	<u>2012</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 \$40,906 and \$41,093 during 2013 and 2012, respectively. The Council owns and operates a charity dining room as part of the campus.

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NOTE 10 NOTES PAYABLE

Notes payable consists of the following:

	<u>2013</u>	<u>2012</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.	\$ 157,555	\$ 178,882
Note payable to a financial institution; original amount of \$44,762; payable in monthly installments of \$1,376; including interest at 6.70%; through November 2015; secured by vehicles and operating equipment.	32,024	-
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>272,334</u>	<u>440,664</u>
Total	461,913	619,546
Less current maturities	<u>(216,659)</u>	<u>(189,657)</u>
Long-term maturities of notes payable	<u><u>\$ 245,254</u></u>	<u><u>\$ 429,889</u></u>

Future maturities of the notes payable after September 30, 2013, are as follows:

2014	\$ 216,659
2015	134,260
2016	28,257
2017	29,047
2018	31,380
Thereafter	<u>22,310</u>
Total	<u><u>\$ 461,913</u></u>

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.

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NOTE 11 IN-KIND CONTRIBUTIONS (CONTINUED)

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>2013</u>	<u>2012</u>
Pounds received from grocery stores and food drives	2,943,659	3,900,738
Pounds received from USDA	<u>1,479,424</u>	<u>1,053,543</u>
Total food received in pounds	<u><u>4,423,083</u></u>	<u><u>4,954,281</u></u>
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	\$ 4,915,911	\$ 6,514,232
Estimated value of food received from USDA (\$0.83 and \$0.90 for 2013 and 2012, respectively)	<u>1,231,237</u>	<u>947,742</u>
Total food	6,147,148	7,461,974
Total items for program use	2,349,460	1,188,740
Professional volunteer support and expenses	1,218,625	1,090,196
Medical/dental supplies and procedures	267,540	366,542
Donated fixed assets	<u>492,402</u>	<u>-</u>
Total In-kind contributions	<u><u>\$ 10,475,175</u></u>	<u><u>\$ 10,107,452</u></u>

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>2013</u>	<u>2012</u>
Professional volunteer hours	20,269	21,300

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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 \$393,064 and \$409,387 for the years ended September 30, 2013 and 2012, respectively.

The Council also enters into long term leases for vehicles and other equipment for use in operations. Equipment and vehicle lease expense was \$50,410 and \$144,668 for the years ended September 30, 2013 and 2012, respectively.

Future minimum payments under all lease commitments are as follows:

2014	\$	373,138
2015		379,490
2016		353,017
2017		86,025
2018		<u>-</u>
Total	\$	<u>1,191,670</u>

NOTE 13 RESTRICTED ASSETS AND DESIGNATED FUNDS

Temporarily restricted net assets are restricted by the donor for the following purposes at September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Any Council operations (time restricted)	\$ 756,497	\$ 18,039
Ozanam Manor Shelter (time and purpose restricted)	2,500	-
Medical/dental clinic (time and purpose restricted)	414,836	182,670
Ministries (purpose restricted)	20,000	49,000
Retail operations (time and purpose restricted)	5,000	5,000
Other	-	10,000
Beneficial interest in remainder trust	261,333	267,973
Human services campus - building	<u>1,749,604</u>	<u>1,802,224</u>
Total	<u>\$ 3,209,770</u>	<u>\$ 2,334,906</u>

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 13 RESTRICTED ASSETS AND DESIGNATED FUNDS (CONTINUED)

Net assets of \$408,788 and \$373,675 were released from restrictions during 2013 and 2012, 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, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>
Endowments:		
Medical/dental clinic operations	\$ 6,491,962	\$ 6,289,835
Ministries	15,000	15,000
Conferences	69,446	58,388
Cuernavaca	14,100	12,100
General	25,050	-
Dining room	<u>250,500</u>	<u>250,500</u>
Donor endowments	<u>6,866,058</u>	<u>6,625,823</u>
Beneficial interest in assets held in trust:		
Providing food and shelter to the needy	7,045,949	6,089,030
Any Council operations	1,610,299	1,524,224
Dining room operations	<u>182,906</u>	<u>179,966</u>
	<u>8,839,154</u>	<u>7,793,220</u>
Other:		
Human services campus (land)	<u>1,171,243</u>	<u>1,171,243</u>
Total	<u><u>\$ 16,876,455</u></u>	<u><u>\$ 15,590,286</u></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.

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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.

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, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ 628,168	\$ -	\$ 6,866,058	\$7,494,226

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NOTE 13 RESTRICTED ASSETS AND DESIGNATED FUNDS (CONTINUED)

Changes in endowment net assets for the year ended September 30, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (404,155)	\$ -	\$ 6,625,823	\$6,221,668
Investment return:				
Investment income	-	241,923	-	241,923
Net appreciation	1,150,400	-	-	1,150,400
Total investment return	<u>1,150,400</u>	<u>241,923</u>	<u>-</u>	<u>1,392,323</u>
Contributions	-	-	240,235	240,235
Appropriation of assets for expenditure	(118,077)	(241,923)	-	(360,000)
Endowment net assets, end of year	<u>\$ 628,168</u>	<u>\$ -</u>	<u>\$ 6,866,058</u>	<u>\$7,494,226</u>

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>\$ (404,155)</u>	<u>\$ -</u>	<u>\$ 6,625,823</u>	<u>\$6,221,668</u>

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	<u>930,499</u>	<u>126,152</u>	<u>-</u>	<u>1,056,651</u>
Contributions	-	-	13,689	13,689
Appropriation of assets for expenditure	(233,848)	(126,152)	-	(360,000)
Endowment net assets, end of year	<u>\$ (404,155)</u>	<u>\$ -</u>	<u>\$ 6,625,823</u>	<u>\$6,221,668</u>

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

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 as of September 30, 2012. These deficiencies resulted from unfavorable market fluctuations. There were no such deficiencies as of September 30, 2013.

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. The Council may also make supplemental contributions under the plan. 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, 2013 and 2012, was \$222,601 and \$224,009, respectively.

NOTE 15 CONCENTRATION OF RISK

Cash and Cash Equivalents

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.

Donation of Goods

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

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED September 30, 2013**

NOTE 16 RELATED PARTY TRANSACTIONS

Accounts receivable of \$85,982 and \$133,857 as of September 30, 2013 and 2012, respectively, were due from other district councils.

Notes receivable of \$35,425 and \$49,997 as of September 30, 2013 and 2012, respectively, were due from other district councils.

Accounts payable of \$10,712 and \$17,754 as of September 30, 2013 and 2012, 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 March 11, 2014, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2013, but prior to March 11, 2014, that provided additional evidence about conditions that existed at September 30, 2013, have been recognized in the financial statements for the year ended September 30, 2013. Events or transactions that provided evidence about conditions that did not exist at September 30, 2013, 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, 2013.