

***COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL***

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2008 AND 2007

WITH INDEPENDENT AUDITORS' REPORT

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
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SEPTEMBER 30, 2008 AND 2007**

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Independent Auditors' Report

The Board of Trustees
Council of Orange County
Society of St. Vincent de Paul

We have audited the accompanying statements of financial position of the Council of Orange County Society of St. Vincent de Paul (the "Council") as of September 30, 2008 and 2007, and the related statements of activities, 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 audits 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 the 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 Council as of September 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 8, 2009, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

White, Nelson & Co. LLP

September 8, 2009
Irvine, CA

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2008 AND 2007**

ASSETS

	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash	\$ 642,949	\$ 818,099
Restricted Cash	79,623	155,032
Investments	-	10,913
Accounts Receivable	61,097	51,035
Grants Receivable	250,227	303,458
Unconditional Promises To Give, Net	835,059	925,797
Inventory	1,027,572	907,447
Prepaid Expenses And Deposits	<u>233,303</u>	<u>147,768</u>
Total Current Assets	3,129,830	3,319,549
Land, Buildings, Furniture And Equipment, Net	7,829,435	5,361,111
Other Assets:		
Long-Term Unconditional Promises To Give, Net	1,272,189	1,790,228
Restricted Long-Term Investments	<u>172,134</u>	<u>196,281</u>
Total Other Assets	1,444,323	1,986,509
Total Assets	<u>\$ 12,403,588</u>	<u>\$ 10,667,169</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable And Accrued Expenses	\$ 349,077	\$ 261,946
Deferred Revenue	245,938	43,149
Lines Of Credit	648,647	250,000
Deferred Rent - Current Portion	20,360	14,015
Long-Term Debt - Current Portion	<u>295,766</u>	<u>-</u>
Total Current Liabilities	1,559,788	569,110
Long-Term Liabilities:		
Long-Term Debt	2,844,842	2,229,458
Deferred Rent	<u>16,784</u>	<u>36,125</u>
Total Long-Term Liabilities	<u>2,861,626</u>	<u>2,265,583</u>
Total Liabilities	4,421,414	2,834,693
Net Assets:		
Unrestricted	5,153,608	4,641,820
Temporarily Restricted	2,656,432	2,994,375
Permanently Restricted	<u>172,134</u>	<u>196,281</u>
Total Net Assets	<u>7,982,174</u>	<u>7,832,476</u>
Total Liabilities And Net Assets	<u>\$ 12,403,588</u>	<u>\$ 10,667,169</u>

The accompanying notes are an integral part of these financial statements

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Unrestricted Support And Revenue:		
Community Support		
Grants And Awards	\$ 805,983	\$ 698,364
Contributions	721,973	640,797
Donated Food Products And Merchandise	16,076,455	18,549,233
Contributed Services	<u>879,321</u>	<u>552,241</u>
Total Community Support	<u>18,483,732</u>	<u>20,440,635</u>
Special Events Revenue	1,084,670	1,913,461
Costs Of Direct Benefits To Donors	<u>(220,881)</u>	<u>(491,919)</u>
Net Special Events Revenue	<u>863,789</u>	<u>1,421,542</u>
Revenue:		
Thrift Store Sales	1,470,433	2,294,605
Participation And Program Fees	3,219,556	3,453,425
Purchased Item Fees	228,293	393,186
(Loss) Gain On Disposal Of Property And Equipment	(679)	758
Other Income	<u>50,797</u>	<u>250,027</u>
Total Revenue	<u>4,968,400</u>	<u>6,392,001</u>
Net Assets Released From Restrictions	<u>2,412,138</u>	<u>3,063,878</u>
Total Unrestricted Support And Revenue	<u>26,728,059</u>	<u>31,318,056</u>
Expenses:		
Program Services		
Thrift Stores	2,378,013	3,744,405
Second Harvest Food Bank	17,457,501	19,071,955
St. Vincent's Center	840,445	1,257,670
Cold Weather Shelter	1,234,102	963,356
Council Program Services	132,383	102,575
Council Administration	12,800	12,800
Capital Campaign	<u>79,194</u>	<u>119,141</u>
Total Program Expenses	<u>22,134,438</u>	<u>25,271,902</u>
Support Services:		
Fund-Raising	182,462	96,923
General And Administrative	<u>3,235,889</u>	<u>3,413,603</u>
Total Support Expenses	<u>3,418,351</u>	<u>3,510,526</u>
Total Expenses	<u>25,552,789</u>	<u>28,782,428</u>
Increase In Unrestricted Net Assets	<u>1,175,270</u>	<u>2,535,628</u>
Temporarily Restricted Support:		
Capital Campaign Contributions	1,386,566	3,983,361
Funds Used For Construction In Progress	(2,272,864)	(2,611,405)
Funds Used For Fixed Assets	(139,274)	(164,822)
Campaign Expenses	<u>-</u>	<u>(287,650)</u>
(Decrease) Increase In Temporarily Restricted Net Assets	<u>(1,025,572)</u>	<u>919,484</u>
Permanently Restricted Support:		
Contribution	<u>-</u>	<u>196,281</u>
Increase In Permanently Restricted Net Assets	-	196,281
Increase In Total Net Assets	149,698	3,651,393
Total Net Assets At Beginning Of Year	<u>7,832,476</u>	<u>4,181,083</u>
Total Net Assets At End Of Year	<u>\$ 7,982,174</u>	<u>\$ 7,832,476</u>

The accompanying notes are an integral part of these financial statements

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities:		
Increase In Total Net Assets	\$ 149,698	\$ 3,651,393
Non Cash Items Included In Change In Total Assets:		
Depreciation	353,660	86,064
Loss On Sale Of Property And Equipment	679	-
Allowance For Uncollectible Promises To Give	(17,358)	46,125
Deferred Rent Expense	(12,996)	7,198
 Changes In:		
Accounts Receivable	(10,062)	(14,738)
Investments	10,913	(10,913)
Grants Receivable	53,231	(127,402)
Unconditional Promises To Give	626,135	(1,531,166)
Inventory	(120,125)	367,659
Prepaid Expenses And Deposits	(85,535)	98,171
Restricted Long-Term Investments	24,147	(196,281)
Accounts Payable And Accrued Expenses	100,326	74,037
Deferred Revenue	202,789	(423,850)
	<u>1,275,502</u>	<u>2,026,297</u>
 Cash Flows From Investing Activities:		
Purchase Of Property And Equipment	(2,831,639)	(4,915,191)
Proceeds From Sale Of Property And Equipment	8,976	-
	<u>(2,822,663)</u>	<u>(4,915,191)</u>
 Cash Flows From Financing Activities:		
Net Borrowings (Payments) On Line Of Credit	648,647	(91,722)
Proceeds From Long-Term Debt	1,870,947	2,229,458
Payments On Long -Term Debt	(1,222,992)	-
	<u>1,296,602</u>	<u>2,137,736</u>
 Net Cash Provided By Financing Activities	<u>1,296,602</u>	<u>2,137,736</u>
 Net Decrease In Cash	(250,559)	(751,158)
 Cash And Restricted Cash At Beginning Of Year	<u>973,131</u>	<u>1,724,289</u>
 Cash And Restricted Cash At End Of Year	<u>\$ 722,572</u>	<u>\$ 973,131</u>
 Supplemental Disclosure Of Cash Flow Information:		
 Cash Paid For Interest	<u>\$ 186,711</u>	<u>\$ 29,571</u>

The accompanying notes are an integral part of these financial statements

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
STATEMENT OF FUNCTIONAL EXPENSES
(INCLUDING CORRESPONDING REVENUES)
YEAR ENDED SEPTEMBER 30, 2008**

	Thrift Stores	Second Harvest Foodbank	St. Vincent's Center	Cold Weather Shelter	Council Program Services	Council Administration	Capital Campaign	Total
Unrestricted Support And Revenue:								
Community Support:								
Grants And Awards	\$ -	\$ 650,686	\$ 30,750	\$ -	\$ 124,547	\$ -	\$ -	\$ 805,983
Contributions	400	641,956	865	760	77,992	-	-	721,973
Donated Food Products And Merchandise	1,475,677	14,598,578	2,200	-	-	-	-	16,076,455
Contributed Services	10,734	165,184	240,411	368,550	47,050	12,800	34,592	879,321
Total Community Support	1,486,811	16,056,404	274,226	369,310	249,589	12,800	34,592	18,483,732
Special Events Revenue	-	987,317	11,466	2,000	83,887	-	-	1,084,670
Costs Of Direct Benefits To Donors	-	(182,300)	(150)	-	(38,431)	-	-	(220,881)
Net Special Events Revenue	-	805,017	11,316	2,000	45,456	-	-	863,789
Revenue:								
Thrift Store Sales	1,470,433	-	-	-	-	-	-	1,470,433
Participation Fees And Program Fees	-	1,528,326	572,362	1,095,048	23,820	-	-	3,219,556
Purchased Item Fees	-	228,293	-	-	-	-	-	228,293
Gain (Loss) On Disposal Of Property And Equipment	5,613	3,363	(9,655)	-	-	-	-	(679)
Other Income (Expense)	26,224	(28,360)	-	-	-	52,933	-	50,797
Total Revenue	1,502,270	1,731,622	562,707	1,095,048	23,820	52,933	-	4,968,400
Net Assets Released From Restriction	-	-	-	-	-	-	2,412,138	2,412,138
Total Unrestricted Support And Revenue	2,989,081	18,593,043	848,249	1,466,358	318,865	65,733	2,446,730	26,728,059
Expenses:								
Program Services:								
Cost Of Sales	115,737	1,000,388	945	-	1,030	-	30,249	1,148,349
Distribution Of Donated Food Products And Merchandise	1,475,677	14,598,578	-	-	-	-	-	16,074,255
Free Distribution Of Commodities	79,302	505,771	-	-	-	-	-	585,073
Program Expenses	-	175,051	372,752	623,496	44,913	-	-	1,216,212
Personnel	697,297	1,012,529	226,337	242,056	39,390	-	14,353	2,231,962
Contributed Services	10,000	165,184	240,411	368,550	47,050	12,800	34,592	878,587
	2,378,013	17,457,501	840,445	1,234,102	132,383	12,800	79,194	22,134,438
Support Services:								
Fund-Raising	-	154,539	-	-	-	-	27,923	182,462
Personnel	49,478	406,178	102,109	21,676	25,097	361,231	-	965,769
Occupancy	720,827	353,851	92,285	45,333	13,559	3,963	44,022	1,273,840
Transportation	1,291	19,075	7,482	78	2,777	4,251	114	35,068
Depreciation And Amortization	39,584	309,678	3,235	14	1,149	-	-	353,660
Advertising And Promotion	11,750	72,827	6,755	5,505	16,180	160	2,374	115,551
Supplies And Printing	8,089	90,324	16,956	4,410	5,652	8,019	6,794	140,244
Allocation Of Administrative Expenses	111,026	119,490	82,084	43,504	66,508	(422,612)	-	-
Other	17,708	51,859	6,464	3,156	25,575	80,250	166,745	351,757
	959,753	1,577,821	317,370	123,676	156,497	35,262	247,972	3,418,351
Total Expenses	3,337,766	19,035,322	1,157,815	1,357,778	288,880	48,062	327,166	25,552,789
Increase (Decrease) In Unrestricted Net Assets	(348,685)	(442,279)	(309,566)	108,580	29,985	17,671	2,119,564	1,175,270
Temporarily Restricted Support:								
Campaign Contributions	-	-	-	-	-	-	1,386,566	1,386,566
Funds Used For Construction In Progress	-	-	-	-	-	-	(2,272,864)	(2,272,864)
Funds Used For Fixed Assets	-	-	-	-	-	-	(139,274)	(139,274)
Decrease In Temporarily Restricted Net Assets	-	-	-	-	-	-	(1,025,572)	(1,025,572)
Increase (Decrease) In Net Assets	\$ (348,685)	\$ (442,279)	\$ (309,566)	\$ 108,580	\$ 29,985	\$ 17,671	\$ 1,093,992	\$ 149,698

The accompanying notes are an integral part of these financial statements

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
STATEMENT OF FUNCTIONAL EXPENSES
(INCLUDING CORRESPONDING REVENUES)
YEAR ENDED SEPTEMBER 30, 2007**

	Thrift Stores	Second Harvest Foodbank	St. Vincent's Center	Cold Weather Shelter	Council Program Services	Council Administration	Capital Campaign	Total
Unrestricted Support And Revenue:								
Community Support:								
Grants And Awards	\$ -	\$ 512,680	\$ 35,436	\$ -	\$ 150,248	\$ -	\$ -	\$ 698,364
Contributions	-	488,194	26,145	4,977	121,481	-	-	640,797
Donated Food Products And Merchandise	2,294,905	16,254,328	-	-	-	-	-	18,549,233
Contributed Services	10,400	65,014	296,394	85,800	9,350	12,800	72,483	552,241
Total Community Support	2,305,305	17,320,216	357,975	90,777	281,079	12,800	72,483	20,440,635
Special Events Revenue	-	1,896,242	5,236	-	11,983	-	-	1,913,461
Costs Of Direct Benefits To Donors	-	(483,724)	(500)	-	(7,695)	-	-	(491,919)
Net Special Events Revenue	-	1,412,518	4,736	-	4,288	-	-	1,421,542
Revenue:								
Thrift Store Sales	2,294,605	-	-	-	-	-	-	2,294,605
Participation Fees And Program Fees	-	1,167,051	1,084,553	1,178,117	23,704	-	-	3,453,425
Purchased Item Fees	-	393,186	-	-	-	-	-	393,186
Gain (Loss) On Disposal Of Property And Equipment	-	758	-	-	-	-	-	758
Other Income	150,000	33,299	-	-	-	66,728	-	250,027
Total Revenue	2,444,605	1,594,294	1,084,553	1,178,117	23,704	66,728	-	6,392,001
Net Assets Released From Restriction	-	-	-	-	-	-	3,063,878	3,063,878
Total Unrestricted Support And Revenue	4,749,910	20,327,028	1,447,264	1,268,894	309,071	79,528	3,136,361	31,318,056
Expenses:								
Program Services:								
Cost Of Sales	179,155	1,257,300	343	247	461	-	46,658	1,484,164
Distribution Of Donated Food Products And Merchandise	2,294,905	16,254,328	-	-	-	-	-	18,549,233
Free Distribution Of Commodities	182,872	360,643	-	-	-	-	-	543,515
Program Expenses	636	178,851	577,256	626,754	64,722	-	-	1,448,219
Personnel	1,076,437	955,819	383,677	250,555	28,042	-	-	2,694,530
Contributed Services	10,400	65,014	296,394	85,800	9,350	12,800	72,483	552,241
	<u>3,744,405</u>	<u>19,071,955</u>	<u>1,257,670</u>	<u>963,356</u>	<u>102,575</u>	<u>12,800</u>	<u>119,141</u>	<u>25,271,902</u>
Support Services:								
Fund-Raising	-	87,382	-	-	9,541	-	-	96,923
Personnel	77,936	448,389	170,192	40,713	45,455	317,230	176,296	1,276,211
Occupancy	818,675	506,255	129,357	79,830	8,293	20,080	59,176	1,621,666
Transportation	6,452	18,675	6,605	-	4,615	3,505	674	40,526
Depreciation And Amortization	13,541	65,920	5,148	-	1,455	-	-	86,064
Advertising And Promotion	3,982	52,885	3,830	-	19,877	677	373	81,624
Supplies And Printing	12,179	53,220	24,113	201	9,167	8,556	3,975	111,411
Allocation Of Administrative Expenses	107,318	103,079	83,083	28,499	68,129	(390,127)	-	(19)
Other	10,943	56,500	27,866	3,234	27,430	69,648	499	196,120
	<u>1,051,026</u>	<u>1,392,305</u>	<u>450,194</u>	<u>152,477</u>	<u>193,962</u>	<u>29,569</u>	<u>240,993</u>	<u>3,510,526</u>
Total Expenses	4,795,431	20,464,260	1,707,864	1,115,833	296,537	42,369	360,134	28,782,428
Increase (Decrease) In Unrestricted Net Assets	(45,521)	(137,232)	(260,600)	153,061	12,534	37,159	2,776,227	2,535,628
Temporarily Restricted Support:								
Campaign Contributions	-	-	-	-	-	-	3,983,361	3,983,361
Funds Used For Construction In Progress	-	-	-	-	-	-	(2,611,405)	(2,611,405)
Campaign Expenses	-	-	-	-	-	-	(164,822)	(164,822)
Increase In Temporarily Restricted Net Assets	-	-	-	-	-	-	(287,650)	(287,650)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>919,484</u>	<u>919,484</u>
Permanently Restricted Support:								
Contribution Used For Endowment Fund	-	196,281	-	-	-	-	-	196,281
Increase In Permanently Restricted Net Assets	-	196,281	-	-	-	-	-	196,281
Increase (Decrease) In Net Assets	\$ (45,521)	\$ 59,049	\$ (260,600)	\$ 153,061	\$ 12,534	\$ 37,159	\$ 3,695,711	\$ 3,651,393

The accompanying notes are an integral part of these financial statements

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 and 2007**

NOTE A: Nature Of Operations And Summary Of Significant Accounting Policies

- (1) Nature Of Operations - The Council of Orange County Society of St. Vincent de Paul (the "Council") is a nonprofit organization supporting charitable activities at parish conferences as well as special activities, which include:

Thrift Stores – Donations of clothing, furniture, and other household goods are collected from individuals and are given or sold to the needy through various thrift stores located in Orange County.

Second Harvest Foodbank – The foodbank acts as a clearinghouse through which food processors, wholesalers, retailers, and government agencies donate food items for distribution, via qualified charitable agencies, to assist the poor and needy.

St. Vincent's Center For Community Reconciliation – The Center provides programs that offer friendship, information, job placement, and emergency assistance to the incarcerated and their families. It also provides dispute resolution services.

Council Program Services And Administration – The Council operates camping programs, food and toy programs, and supports conferences in various parishes of the Diocese of Orange, California.

Armory Shelter Program/Cold Weather Shelter – The shelter program utilizes the national guard armories to provide shelter to and feed the homeless. During the year ended September 30, 2008, this program was granted to another not-for-profit organization for future periods.

- (2) Basis Of Presentation - The financial statements of the Council have been prepared on the accrual basis of accounting. Contributions, including unconditional promises to give, are recognized as revenues in the period received (see Note A(4)). Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Council are classified and reported as follows:

- Unrestricted net assets represent contributions raised through various fund-raising, thrift store sales, and donated products and merchandise.
- Temporarily restricted net assets represent contributions given specifically by the donor for the Council's Capital Campaign.
- Permanently restricted net assets represent contributions given specifically by the donor for an endowment fund.

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

**NOTE A: Nature Of Operations And Summary Of Significant Accounting Policies –
(Continued)**

- (3) Cash - The Council considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.
- (4) Promises To Give - Unconditional promises to give are recognized when the donor makes a promise to give. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Those due in subsequent years are reflected as long-term unconditional promises to give. Management has provided a reserve for uncollectible promises.

Unconditional promises to give at September 30, 2008 and 2007, are as follows:

	<u>2008</u>	<u>2007</u>
Receivable In Less Than One Year	\$ 901,701	\$ 945,797
Receivable In Excess Of One Year	<u>1,272,189</u>	<u>1,854,228</u>
Total Unconditional Promises To Give	2,173,890	2,800,025
Less: Allowance For Uncollectible Promises	<u>(66,642)</u>	<u>(84,000)</u>
Net Unconditional Promises To Give	<u>\$ 2,107,248</u>	<u>\$ 2,716,025</u>

- (5) Inventory - Donations of food products to the Council are recorded at the fair market value at the date of donation. The fair market value of donated food and commodities has been based on management estimates with the use of the "Second Harvest national study," a third-party network for food banks. Inventory relating to donated merchandise sold in the Council's thrift stores is based on the estimated fair market value or selling price of the merchandise or the estimated costs. The costs associated with distributing food and clothes to the community are recorded as "Cost of Sales" and "Distribution of Donated Food Products and Merchandise" in the accompanying statements of functional expenses.

The net realizable value of inventory for food is based on the maximum shared maintenance rate, which ranges from \$0.00 to \$0.14 per pound for years ending September 30, 2008 and 2007. The maximum shared maintenance rate is the maximum amount per pound that the Council can recover from the purchasing agencies.

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

**NOTE A: Nature Of Operations And Summary Of Significant Accounting Policies –
(Continued)**

(5) Inventory – (Continued)

As of September 30, 2008 and 2007, the donated food inventory is valued at fair market value of \$1.49 and \$1.69 per pound on the statement of financial position which totaled \$819,503 and \$620,010, respectively. The actual net realizable value of such inventory is a fraction of that amount. Had the donated food been valued at its net realizable value, using the maximum shared maintenance rate of \$0.14, inventory would have been reduced by \$723,685, at September 30, 2008, and \$544,974 at September 30, 2007, with a corresponding decrease in community support of the Second Harvest Food Bank for each period.

(6) Land, Building, Furniture And Equipment - Land, building, furniture and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, ranging from 3 to 30 years. Leasehold improvements are capitalized at cost and are amortized over the shorter of the lease term or the estimated useful life of the related asset. For the years ended September 30, 2008 and 2007, depreciation expense totaled \$353,660 and \$86,064, respectively.

(7) Long-Lived Assets And Asset Impairment - The Council accounts for long-lived assets in accordance with the Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets." SFAS No. 144 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amount. At September 30, 2008 and 2007, no impairment losses have been recorded.

(8) Deferred Revenue - As of September 30, 2008 and 2007, deferred revenue includes amounts received for various fundraising events which occurred subsequent to year-end.

(9) Advertising Costs - Advertising costs are charged to operations when incurred. Advertising costs charged to operations for the years ended September 30, 2008 and 2007, totaled \$8,303 and \$19,368, respectively.

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

**NOTE A: Nature Of Operations And Summary Of Significant Accounting Policies –
(Continued)**

- (10) Contributed Services - A substantial number of volunteers have donated significant amounts of time in the operation of the Council's thrift shops, St. Vincent Center and Food Bank. Legal, accounting, engineering, counseling and medical services meet the criteria of SFAS No. 116, "Accounting for Contributions Received and Contributions Made" and have been recognized in the accompanying statements of activities as revenue and a corresponding expense. The fair market value of these services at the time of donation were determined to be \$879,321 and \$552,241, for the years ended September 30, 2008 and 2007, respectively.

Substantial volunteer time does not meet the criteria of SFAS No. 116, and accordingly, has not been reflected in the accompanying financial statements. The value of such volunteer time was estimated using the minimum wage rates to be the following (unaudited):

	2008		
	Number Of Volunteers	Number Of Hours	Value
Areas Of Service:			
Cold Weather Shelter	379	23,877	\$ 191,016
Thrift Stores	859	33,417	267,336
Second Harvest Foodbank	7,245	83,746	669,968
St. Vincent Center	223	4,672	37,376
Council Program Services	856	3,731	29,848
Subtotal	9,562	149,443	1,195,544
Conferences	753	64,471	515,768
	<u>10,315</u>	<u>213,914</u>	<u>\$1,711,312</u>

	2007		
	Number Of Volunteers	Number Of Hours	Value
Areas Of Service:			
Cold Weather Shelter	235	7,300	\$ 54,750
Thrift Stores	1,100	27,500	206,250
Second Harvest Foodbank	6,539	91,797	688,478
St. Vincent Center	184	9,500	71,250
Council Program Services	150	2,170	16,275
Subtotal	8,208	138,267	1,037,003
Conferences	753	92,410	693,075
	<u>8,961</u>	<u>230,677</u>	<u>\$1,730,078</u>

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

**NOTE A: Nature Of Operations And Summary Of Significant Accounting Policies –
(Continued)**

- (11) Deferred Rent - The Council's policy is to average any defined rental escalations over the term of the related lease in order to provide a level recognition of rent expense. The Council's total deferred rent liability was approximately \$37,144 and \$50,140, at September 30, 2008 and 2007, respectively, and is included in "Deferred Rent" in the accompanying statements of financial position.
- (12) Income Taxes - The Council is recognized as a tax-exempt religious organization under Section 501(c)(3) of the Internal Revenue Code Section and the corresponding state code. Accordingly, there is no provision for income taxes in the accompanying financial statements.
- (13) Use Of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates.
- (14) Investments – The Organization records equity securities with readily determinable fair values, and all investments in debt securities, in accordance with SFAS No. 124, "*Accounting for Certain Investments Held by Not-for-Profit Organizations.*" SFAS No. 124 requires these types of investments to be reported at fair value, with gains and losses included in the statements of activities.
- (15) Recent Accounting Pronouncements – In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities.*" SFAS 159 provides entities with an irrevocable option to report selected financial assets and financial liabilities at fair value. It also establishes presentation and disclosure requirements that are designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The provisions of SFAS 159 are effective for the Organization for the fiscal year ending September 30, 2009. The Organization is currently evaluating the impact of the provisions of SFAS 159 on its financial position, results of operations, and cash flows.

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*". SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. The provisions of SFAS 157 are effective for the Organization for fiscal years beginning October 1, 2008.

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

NOTE A: Nature Of Operations And Summary Of Significant Accounting Policies – (Continued)

(15) Recent Accounting Pronouncements – (Continued)

The Organization is evaluating the impact of the provisions of SFAS 157 on its financial position, results of operations, and cash flows.

In August 2008, FASB Staff Position No. FAS 117-1, “*Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds (FSP)*”, was issued, and its guidance is effective for fiscal years ending after December 15, 2008. A key component of that FSP is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets temporarily restricted net assets until appropriated for expenditure. The FSP also requires expanded disclosures for all endowment funds. The Foundation is currently evaluating the impact of the provisions of FAS 117-1 on its financial position, results of operations, and cash flows.

NOTE B: Risks And Uncertainties - The Council routinely maintains cash balances with a commercial bank in excess of federally insured limits. At September 30, 2008 and 2007, the amounts of uninsured cash balances were \$681,711 and \$375,387, respectively.

NOTE C: Inventory - Inventory consists of the following at September 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Thrift Stores	\$ 185,604	\$ 223,806
Donated Food	819,504	620,010
Purchased Commodities	<u>22,464</u>	<u>63,631</u>
Total Inventory	<u>\$ 1,027,572</u>	<u>\$ 907,447</u>

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

NOTE D: Land, Building, Furniture And Equipment - Land, building, furniture and equipment consist of the following at September 30, 2008 and 2007:

	2008	2007
Land	\$ 96,089	\$ 96,089
Buildings	156,096	156,096
Vehicles	833,349	758,806
Furniture And Equipment	1,239,341	1,180,315
Leasehold Improvements	6,832,050	417,177
Construction In Progress	-	4,912,726
	9,156,925	7,521,209
Less: Accumulated Depreciation And Amortization	(1,327,490)	(2,160,098)
Total Land, Buildings And Equipment	\$ 7,829,435	\$ 5,361,111

The majority of construction in progress was funded by the Capital Campaign and relates to the development of the new Council administrative offices and the foodbank location.

NOTE E: Temporarily Restricted Net Assets - Temporarily restricted net assets are available for use in the new warehouse. Temporarily restricted net assets as of September 30, 2008 and 2007, consist of the following:

	2008	2007
Cash	\$ 79,623	\$ 155,032
Unconditional Promises To Give	2,107,248	2,716,025
Leasehold Improvements And Equipment	469,561	-
Grant Receivable	-	123,318
Total Temporarily Restricted Net Assets	\$ 2,656,432	\$ 2,994,375

NOTE F: Permanently Restricted Net Asset - Permanently restricted net asset is an investment in an endowment fund which invests in pool accounts. Any earnings from the endowment fund are expendable as support of the Foodbank. During the year ended September 30, 2008, the investment's return consisted of dividends and interest of \$3,268, realized and unrealized losses of \$36,278, and fees of \$2,050, with a net loss of \$35,060. At the end of the year, the fair value of the investment was \$172,134.

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

NOTE F: Permanently Restricted Net Asset – (Continued)

During the year ended September 30, 2007, the initial contribution of the investment received totaled \$196,281. The investment's return consisted of dividends and interest of \$4,167, realized and unrealized gains of \$7,904, and fees of \$1,158, with net earnings of \$10,913. At the end of the year the fair value of the investment was \$207,194.

NOTE G: Commitments And Contingencies

- (1) Lines Of Credit – For the year ended September 30, 2007, the Council had a line of credit with a financial institution that provided for borrowings of up to \$150,000. At September 30, 2007, the balance was \$139,861 and is included in “Long-Term Debt” in the accompanying statement of financial position. The unpaid principal amount of the balance incurred interest at the rate of 1.75 percent above the prime rate, 9.50% for the year ended September 30, 2007. This balance was paid off in the year ended September 30, 2008.

For the year ended September 30, 2008, the Council had a line of credit with a financial institution that provided for borrowings of up to \$500,000 from October 2007 to July 2008, the amount available to borrow increased to \$800,000 with an expiration date of May 31, 2009 and subsequently continues on a month to month basis. At September 30, 2008 and 2007, the balances were \$648,647 and \$0, respectively. The unpaid principal amount of the balance bears interest at prime rate, (5.00% and 7.75% at September 30, 2008 and 2007, respectively). The line of credit is collateralized by all Council assets.

The credit agreement contains various covenants pertaining to the net worth, contributions, and capital expenditures. At September 30, 2008, the Council was in compliance or has obtained a waiver with respect to all financial covenant requirements.

For the years ended September 30, 2008 and 2007, the Council had an additional line of credit with an institution that provided for borrowings up to \$250,000. At September 30, 2008 and 2007, the principal balance on this line of credit was \$250,000 and is included in “Long-Term Debt” and “Lines Of Credit,” respectively, in the accompanying statements of financial position. The unpaid interest amounted to \$25,195 and \$13,195 and are included in “Long-Term Debt” and “Accounts Payable And Accrued Expenses,” respectively, in the accompanying statements of financial position. The unpaid principal amount of the balance bears interest at 5.25 percent and matures in June 2011.

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

NOTE G: Commitments And Contingencies – (Continued)

- (2) Long-Term Debt - On September 28, 2008, the Council entered into a note agreement with a financial institution with a borrowing amount totaling \$4,000,000 bearing interest at the bank's base rate or 1.25 percent above the LIBOR rate. As of September the bank's base rate was 5 percent and the bank's LIBOR rate was 4.4 percent. The rate changed on the note from the draw period to the amortizing period of the loan. The balance of the note as of September 30, 2008 totaled \$2,792,946, \$548,349 at the bank's base rate and \$2,244,597 at the bank's LIBOR rate. The principal will be paid in five annual installments and outstanding interest is due on the maturity date, August 1, 2013. The note is secured by all assets of the Councils'.

During the year ended September 30, 2008, the Council entered into note agreements with an institution totaling \$88,405 bearing interest at 6.04 percent. The balance of the total amount due at September 30, 2008, was \$72,467. The note is secured by two automobiles and matures October 2013.

The following are maturities of notes payable for each of the next five years ending September 30:

2009	\$ 295,766
2010	436,462
2011	992,074
2012	718,069
2013 And Thereafter	<u>698,237</u>
	<u>\$ 3,140,608</u>

- (3) Operating Leases - The Council has entered into several leases for thrift shops, offices and warehouses expiring through May 2011. Total rent expense related to such operating leases amounted to \$812,792 and \$1,025,730, for the years ended September 30, 2008 and 2007, respectively.

Future aggregate minimum annual rent payments under these non-cancelable leases, as of September 30, 2008, are as follows:

	<u>Operating Leases</u>
Year ending September 30:	
2009	\$ 454,148
2010	178,735
2011 And Thereafter	<u>59,535</u>
Total Minimum Lease Payments	<u>\$ 692,418</u>

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

NOTE G: Commitments And Contingencies – (Continued)

- (4) Litigation - The Council experiences litigation during the normal course of its business operations. Management does not believe that any pending or threatened litigation will have a material adverse effect on its financial statements.

NOTE H: Subsequent Event – Prior to year-end, the Council had an “On-Sight Monitoring Visit” from a U.S. Department of Housing And Urban Development (“HUD”) representative in regards to the St. Vincent de Paul Haven Project. Subsequent to the year ending September 30, 2008, the Council received a letter documenting that there were findings in relation to the match of program funding and the amount of rent expenditures exceeding fair market rent as defined by HUD.

HUD has stated that the Council had not met the cash match requirement for the program. In addition, HUD has provided a corrective monetary action in relation to this issue, which could be paid back in installments over five years. The Council is in disagreement with the amount calculated by HUD but has recorded a liability of approximately \$110,000 which is included in “Accounts Payable And Accrued Expenses” in the accompanying statements of financial position as of September 30, 2008. This issue has not been resolved as of the issuance date of this report.

Additionally, subsequent to year end the Council received an offer on their property in Orange, California in the amount of \$1,790,000. The close of escrow is scheduled to close in September 2009.

***COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL***

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2008

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
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YEAR ENDED SEPTEMBER 30, 2008**

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**Report on Internal Control Over Financial Reporting And On Compliance and Other
Matters Based on an Audit of Financial Statements Performed
In Accordance With *Government Auditing Standards***

The Board of Trustees
Council of Orange County
Society of St. Vincent de Paul:

We have audited the financial statements of the Council of Orange County Society of St. Vincent de Paul (a nonprofit organization) (the "Council") as of and for the year ended September 30, 2008, and have issued our report thereon dated September 8, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Internal Control Over Financial Reporting – (Continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described in the accompanying schedule of findings and questioned costs are material weakness’.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Council’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Council in a separate letter dated September 8, 2009.

The Council’s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Council’s response and, accordingly, we express no opinion on it.

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

White, Nelson & Co. LLP

September 8, 2009
Irvine, CA

**Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control Over Compliance
In Accordance with OMB Circular A-133**

The Board of Trustees
Council of Orange County
Society of St. Vincent de Paul:

Compliance

We have audited the compliance of the Council of Orange County Society of St. Vincent de Paul (the "Council") with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended September 30, 2008. The Council's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Council's compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item, 2008-1.

Internal Control Over Compliance

The management of the Council of Orange County Society of St. Vincent de Paul is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

We have audited the basic financial statements of Council of Orange County Society of St. Vincent de Paul as of and for the year ended September 30, 2008, and have issued our report thereon dated September 8, 2009. Our audit was performed for the purpose of forming our opinion on the basic financial statements taken as whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such

information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Council's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Council's responses and, accordingly, we express no opinion on it.

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

White, Nelson & Co. LLP

September 8, 2009
Irvine, CA

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL**

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2008

Federal grantor/ pass-through grantor: program title	Catalog of federal domestic assistance number (CFDA No.)	Grantor contract number	Federal expenditures
United States Department of Agriculture:			
Passed through the California Department of Social Services – Emergency Food Assistance Program (EFAP):			
Cash Program	10.568	MOU07-6040	\$ 343,951
Food Distribution (noncash)	10.569	-	<u>832,914</u>
			<u>1,176,865</u>
United States Department of Agriculture:			
Passed through the California Department of Education Child Nutrition Fiscal Services:			
Simplified Summer Food Program	10.559	30-93012W	<u>264,513</u>
United States Department of Homeland Security:			
Emergency Food And Shelter Program			
	97.024	26-0786-006	181,208
		26-0786-049	<u>292,418</u>
			<u>473,626</u>
U.S. Department Of Housing and Urban Development:			
Supportive Housing Program – St. Vincent’s Haven	14.235	CA16B402003	<u>467,627</u>

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL**

Schedule of Expenditures of Federal Awards – (Continued)
Year Ended September 30, 2008

Federal grantor/ pass-through grantor: program title	Catalog of federal domestic assistance number (CFDA No.)	Grantor contract number	Federal expenditures
United States Housing and Urban Development:			
Passed through the City of Anaheim:			
Community Development Block Grant (CDBG)	14.218	-	11,250
Community Development Block Grant (CDBG)	14.231	4878	6,000
Passed through the County of Orange – Emergency Shelter Grant ESG	14.231	KH89053	189,003
Passed through the City of Santa Ana – ESG Community Development Block Grant (CDBG)	14.231	135-152-6931	20,000
Passed through the City of Irvine – Community Development Block Grant (CDBG)	14.218	5750	346,239
Total Federal Expenditures			\$2,955,123

See accompanying notes to Schedule of Expenditures of Federal Awards and independent auditors' report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL**

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2008

NOTE A: General

The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of all federal awards programs of the Council of Orange County Society of St. Vincent de Paul (the "Council") for the year ended September 30, 2008. The Schedule of Expenditures of Federal Awards included amounts passed through the state of California, as well as other governments, and private agencies.

For purposes of the Schedule, federal awards include all grants and contracts entered into directly between the Council and agencies and departments of the federal government. The awards are classified into major program categories in accordance with the provisions of Office of Management and Budget (OMB) Circular A-133, "*Audits of States, Local Governments, and Nonprofit Organizations.*"

NOTE B: Basis Of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in the notes to the Council's financial statements. Expenditures are determined using the cost accounting principles and procedures set forth in OMB Circular A-122, *Cost Principles for Nonprofit Organizations.*

NOTE C: Relationship To Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports for the Council's major federal programs.

NOTE D: Amounts Provided To Subrecipients

For the year-end September 30, 2008, the Council passed through \$832,914 to other not-for-profit agencies under the U.S. Department of Agriculture/California Department of Social Services-Emergency Food Assistance Program (CFDA#10.568).

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL**

Schedule of Findings and Questioned Costs
Year ended September 30, 2008

Summary Of Auditors' Result:

1. The independent auditors' report expresses an unqualified opinion on the financial statements of the Council of Orange County Society of St. Vincent de Paul, a nonprofit organization.
2. Significant deficiencies were identified during the audit of the financial statements that is not considered to be a material weakness as reported below.
3. No instances of noncompliance material to the financial statements of Council of Orange County Society of St. Vincent de Paul, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were significant deficiencies relating to the audit of the major federal award programs as stated below.
5. The auditor's report on compliance for the major federal award programs for Council of Orange County Society of St. Vincent de Paul expresses a qualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs include the following:
 - U.S. Department of Agriculture passed through the California Department of Social Services – Emergency Food Assistance Program – Food Distribution (CFDA #10.568 and 10.569)
 - United States Department of Homeland Security - Emergency Food And Shelter Program (CFDA #97.024)
 - United States Housing and Urban Development Passed through the City of Irvine Community Development Block Grant (CDBG) (CFDA #14.218)
 - U.S. Department Of Housing and Urban Development: Supportive Housing Program – St. Vincent's Haven (CFDA #14.235)

Summary Of Auditors' Result: - (Continued)

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Council did not qualify as a low-risk auditee.

Findings – Financial Statement Audit

Significant Deficiencies:

Accounts Payable Cutoff

During our search for unrecorded liabilities, we noted two exceptions in which invoices relating to services performed prior to the year-end date were not recorded as payables in the proper period. Proper cutoffs are critical for the accuracy of the accrual basis of accounting. We suggest that the Controller prepare written instructions to be included as a part of the Company accounting policies and procedures manual that indicates basic concepts of proper cutoffs and the individuals responsible for accruing payables at the accounting period end.

Response: The policy for proper cutoff of accounts payable is documented by a written accounting procedure manual. The Council will verify that all the accounting staff has received a copy and they understand their responsibilities.

Preparation of Financial Statements

Statement on Auditing Standards (SAS) 112, “*Communicating Internal Control Related Matters Identified in an Audit*,” states that management is responsible for the preparation and review of the financial statements and related footnotes. During our audit, we assisted in drafting the financial statements and related footnotes, therefore based on SAS 112, this is deemed a significant deficiency.

Response: Currently, the Council does not have the resources to properly prepare the financial statements and related footnotes. The Council will continue to rely on our auditors to assist in this matter.

Pledge Receivables

During our audit, we noted the pledge receivables were overstated due to some pledge obligations being deemed uncollectible due to multiple factors; the current economic conditions, recording of the promise to give prior to the event occurring, and the time lapsed from the last collection date. We recommend management review the status of all pledge obligations at year end and write off the balances deemed uncollectible.

Response: The Council reviews the status of the pledge obligations throughout the year and has an allowance for doubtful accounts which is updated at year end. The Council will write off pledge balances that are deemed uncollectible at year end.

Findings And Questioned Costs – Major Federal Award Programs Audit

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (“HUD”)

2008-01 Grant number CA16B402003

In 2008, HUD made a monitoring visit to the Council to ensure that the St. Vincent de Paul’s Haven Project was in compliance with the Supportive Housing Program (SHP) regulations governing grant number CA16B402003 and that they were carrying out the program in a timely matter. HUD has challenged the Council’s disbursements made pursuant to the grant in relation to three areas; (1) improper calculation of local area housing costs in comparison to the national housing cost average, (2) selected residences did not comply with HUD environmental protocols, and (3) improper calculation of initial matching funds.

The Council has challenged HUD’s findings and believes any assessment in relation to the grant totals approximately \$110,000 and is currently negotiating with HUD a payback plan over a five year period.