

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

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2009 AND 2008

WITH INDEPENDENT AUDITORS' REPORT

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
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SEPTEMBER 30, 2009 AND 2008**

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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, 2009 and 2008, 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, 2009 and 2008, 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 February 23, 2010, 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
February 23, 2010
Irvine, CA

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2009 AND 2008**

ASSETS

	<u>2009</u>	<u>2008</u>
Current Assets:		
Cash	\$ 843,789	\$ 642,949
Restricted Cash	544,141	79,623
Accounts Receivable	72,915	61,097
Grants Receivable	236,324	250,227
Unconditional Promises To Give, Net	820,423	835,059
Inventory	1,358,360	1,027,572
Prepaid Expenses And Deposits	221,414	233,303
Total Current Assets	<u>4,097,366</u>	<u>3,129,830</u>
Land, Buildings, Furniture And Equipment, Net	<u>7,868,964</u>	<u>7,829,435</u>
Other Assets:		
Long-Term Unconditional Promises To Give, Net	541,100	1,272,189
Restricted Long-Term Investments	177,088	172,134
Total Other Assets	<u>718,188</u>	<u>1,444,323</u>
Total Assets	<u>\$ 12,684,518</u>	<u>\$ 12,403,588</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable And Accrued Expenses	\$ 286,338	\$ 349,077
Deferred Revenue	154,674	245,938
Lines Of Credit	748,647	648,647
Deferred Rent - Current Portion	5,890	20,360
Long-Term Debt - Current Portion	435,413	295,766
Total Current Liabilities	<u>1,630,962</u>	<u>1,559,788</u>
Long-Term Liabilities:		
Long-Term Debt	2,428,083	2,844,842
Deferred Rent	11,021	16,784
Total Long-Term Liabilities	<u>2,439,104</u>	<u>2,861,626</u>
Total Liabilities	<u>4,070,066</u>	<u>4,421,414</u>
Net Assets:		
Unrestricted	6,106,061	5,153,608
Temporarily Restricted	2,331,303	2,656,432
Permanently Restricted	177,088	172,134
Total Net Assets	<u>8,614,452</u>	<u>7,982,174</u>
Total Liabilities And Net Assets	<u>\$ 12,684,518</u>	<u>\$ 12,403,588</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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Unrestricted Support And Revenue:		
Community Support:		
Grants And Awards	\$ 969,616	\$ 805,983
Contributions	778,556	721,973
Donated Food Products And Merchandise	21,344,566	16,076,455
Contributed Services	<u>567,360</u>	<u>879,321</u>
Total Community Support	<u>23,660,098</u>	<u>18,483,732</u>
Special Events Revenue	1,847,950	1,084,670
Costs Of Direct Benefits To Donors	<u>(412,071)</u>	<u>(220,881)</u>
Net Special Events Revenue	<u>1,435,879</u>	<u>863,789</u>
Revenue:		
Thrift Store Sales	1,149,616	1,470,433
Participation And Program Fees	2,437,653	3,219,556
Purchased Item Fees	193,418	228,293
(Loss) Gain On Disposal Of Property And Equipment	33,226	(679)
Other Income	<u>144,999</u>	<u>50,797</u>
Total Revenue	3,958,912	4,968,400
Net Assets Released From Restrictions	<u>325,129</u>	<u>2,412,138</u>
Total Unrestricted Support And Revenue	<u>29,380,018</u>	<u>26,728,059</u>
Expenses:		
Program Services		
Thrift Stores	1,882,631	2,378,013
Second Harvest Food Bank	23,080,555	17,457,501
St. Vincent's Center	308,830	840,445
Cold Weather Shelter	-	1,234,102
Council Program Services	179,327	132,383
Council Administration	24,375	12,800
Capital Campaign	<u>8,980</u>	<u>79,194</u>
Total Program Expenses	<u>25,484,698</u>	<u>22,134,438</u>
Support Services:		
Fund-Raising	132,682	182,462
General And Administrative	<u>2,810,185</u>	<u>3,235,889</u>
Total Support Expenses	<u>2,942,867</u>	<u>3,418,351</u>
Total Expenses	<u>28,427,565</u>	<u>25,552,789</u>
Increase In Unrestricted Net Assets	<u>952,453</u>	<u>1,175,270</u>
Temporarily Restricted Support:		
Capital Campaign Contributions	-	1,386,566
Funds Used For Construction In Progress	-	(2,272,864)
Funds Used For Fixed Assets	<u>(325,129)</u>	<u>(139,274)</u>
Decrease In Temporarily Restricted Net Asset:	<u>(325,129)</u>	<u>(1,025,572)</u>
Permanently Restricted Support:		
Contribution	<u>4,954</u>	-
Increase In Permanently Restricted Net Asset:	<u>4,954</u>	-
Increase In Total Net Assets	632,278	149,698
Total Net Assets At Beginning Of Year	<u>7,982,174</u>	<u>7,832,476</u>
Total Net Assets At End Of Year	<u>\$ 8,614,452</u>	<u>\$ 7,982,174</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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities:		
Increase In Total Net Assets	\$ 632,278	\$ 149,698
Non Cash Items Included In Change In Total Assets:		
Depreciation	428,195	353,660
(Gain) Loss On Sale Of Property And Equipment	(33,226)	679
Allowance For Uncollectible Promises To Give	(24,533)	(17,358)
Deferred Rent Expense	(20,233)	(12,996)
Changes In:		
Accounts Receivable	(11,818)	(10,062)
Investments	-	10,913
Grants Receivable	13,903	53,231
Unconditional Promises To Give	39,169	24,096
Inventory	(330,788)	(120,125)
Prepaid Expenses And Deposits	11,889	(85,535)
Restricted Long-Term Investments	(4,954)	24,147
Accounts Payable And Accrued Expenses	(62,739)	100,326
Deferred Revenue	(91,264)	202,789
Net Cash Provided By Operating Activities	<u>545,879</u>	<u>673,463</u>
Cash Flows From Investing Activities:		
Purchase Of Property And Equipment	(468,833)	(2,831,639)
Proceeds From Sale Of Property And Equipment	<u>34,335</u>	<u>8,976</u>
Net Cash Used In Investing Activities	<u>(434,498)</u>	<u>(2,822,663)</u>
Cash Flows From Financing Activities:		
Long-Term Unconditional Promises To Give	731,089	602,039
Net Borrowings (Payments) On Line Of Credit	100,000	648,647
Proceeds From Long-Term Debt	17,098	1,870,947
Payments On Long -Term Debt	<u>(294,210)</u>	<u>(1,222,992)</u>
Net Cash (Used In) Provided By Financing Activities	<u>553,977</u>	<u>1,898,641</u>
Net Change In Cash	665,358	(250,559)
Cash And Restricted Cash At Beginning Of Year	<u>722,572</u>	<u>973,131</u>
Cash And Restricted Cash At End Of Year	<u>\$ 1,387,930</u>	<u>\$ 722,572</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 (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Supplemental Disclosure Of Cash Flow Information:		
Cash Paid For Interest	\$ <u>149,549</u>	\$ <u>186,711</u>
Supplemental Schedule Of Non-Cash Investing Activities:		
Donation Of Property And Equipment	\$ <u>227,908</u>	\$ <u>-</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, 2009**

	Thrift Stores	Second Harvest Foodbank	St. Vincent's Center	Council Program Services	Council Administration	Capital Campaign	Total
Unrestricted Support And Revenue:							
Community Support:							
Grants And Awards	\$ -	\$ 856,923	\$ -	\$ 112,693	\$ -	\$ -	\$ 969,616
Contributions	509	701,626	213	76,208	-	-	778,556
Donated Food Products And Merchandise	1,159,572	20,060,309	-	124,685	-	-	21,344,566
Contributed Services	-	341,032	197,828	4,125	24,375	-	567,360
Total Community Support	1,160,081	21,959,890	198,041	317,711	24,375	-	23,660,098
Special Events Revenue	-	1,799,020	-	48,930	-	-	1,847,950
Costs Of Direct Benefits To Donors	-	(385,591)	(3,407)	(23,073)	-	-	(412,071)
Net Special Events Revenue And Expense	-	1,413,429	(3,407)	25,857	-	-	1,435,879
Revenue:							
Thrift Store Sales	1,149,616	-	-	-	-	-	1,149,616
Participation Fees And Program Fees	-	2,223,964	189,488	24,201	-	-	2,437,653
Purchased Item Fees	-	193,418	-	-	-	-	193,418
Gain On Disposal Of							
Property And Equipment	14,256	18,970	-	-	-	-	33,226
Other Income	15,575	3,262	-	99,240	26,922	-	144,999
Total Revenue	1,179,447	2,439,614	189,488	123,441	26,922	-	3,958,912
Net Assets Released From Restriction	-	-	-	-	-	325,129	325,129
Total Unrestricted Support And Revenue	2,339,528	25,812,933	384,122	467,009	51,297	325,129	29,380,018
Expenses:							
Program Services:							
Cost Of Sales	86,764	1,132,075	70	589	-	8,980	1,228,478
Distribution Of Donated Food							
Products And Merchandise	1,158,072	19,958,586	-	-	-	-	21,116,658
Free Distribution Of Commodities	41,907	354,797	-	-	-	-	396,704
Program Expenses	-	163,165	25,481	76,140	-	-	264,786
Personnel	595,888	1,130,900	85,451	98,473	-	-	1,910,712
Contributed Services	-	341,032	197,828	4,125	24,375	-	567,360
	<u>1,882,631</u>	<u>23,080,555</u>	<u>308,830</u>	<u>179,327</u>	<u>24,375</u>	<u>8,980</u>	<u>25,484,698</u>
Support Services:							
Fund-Raising	-	132,682	-	-	-	-	132,682
Personnel	3,733	492,220	(9,344)	8,734	350,345	-	845,688
Occupancy	590,687	335,242	22,578	10,829	360	-	959,696
Transportation	425	25,983	2,151	5,603	5,543	-	39,705
Depreciation And Amortization	16,230	399,618	333	12,014	-	-	428,195
Advertising And Promotion	5,588	81,527	499	9,020	73	-	96,707
Supplies And Printing	5,646	95,769	10,964	13,081	2,660	-	128,120
Allocation Of Administrative Expenses	122,849	152,727	62,645	82,386	(420,607)	-	-
Other	16,305	164,313	814	23,684	106,958	-	312,074
	<u>761,463</u>	<u>1,880,081</u>	<u>90,640</u>	<u>165,351</u>	<u>45,332</u>	<u>-</u>	<u>2,942,867</u>
Total Expenses	2,644,094	24,960,636	399,470	344,678	69,707	8,980	28,427,565
Increase (Decrease) In Unrestricted Net Assets	(304,566)	852,297	(15,348)	122,331	(18,410)	316,149	952,453
Temporarily Restricted Support:							
Campaign Contributions	-	-	-	-	-	-	-
Funds Used For Construction In Progress	-	-	-	-	-	-	-
Funds Used For Fixed Assets	-	-	-	-	-	(325,129)	(325,129)
Decrease In Temporarily Restricted Net Assets	-	-	-	-	-	(325,129)	(325,129)
Permanantly Restricted Support:							
Unrealized/Realized Loss - Endowment Fund	-	4,954	-	-	-	-	4,954
Increase In Permanantly Restricted Net Assets	-	4,954	-	-	-	-	4,954
Increase (Decrease) In Net Assets	\$(304,566)	\$857,251	\$(15,348)	\$122,331	\$(18,410)	\$(8,980)	\$632,278

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**

	<u>Thrift Stores</u>	<u>Second Harvest Foodbank</u>	<u>St. Vincent's Center</u>	<u>Cold Weather Shelter</u>	<u>Council Program Services</u>	<u>Council Administration</u>	<u>Capital Campaign</u>	<u>Total</u>
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	<u>1,486,811</u>	<u>16,056,404</u>	<u>274,226</u>	<u>369,310</u>	<u>249,589</u>	<u>12,800</u>	<u>34,592</u>	<u>18,483,732</u>
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	<u>-</u>	<u>805,017</u>	<u>11,316</u>	<u>2,000</u>	<u>45,456</u>	<u>-</u>	<u>-</u>	<u>863,789</u>
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	<u>1,502,270</u>	<u>1,731,622</u>	<u>562,707</u>	<u>1,095,048</u>	<u>23,820</u>	<u>52,933</u>	<u>-</u>	<u>4,968,400</u>
Net Assets Released From Restriction	-	-	-	-	-	-	2,412,138	2,412,138
Total Unrestricted Support And Revenue	<u>2,989,081</u>	<u>18,593,043</u>	<u>848,249</u>	<u>1,466,358</u>	<u>318,865</u>	<u>65,733</u>	<u>2,446,730</u>	<u>26,728,059</u>
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
	<u>2,378,013</u>	<u>17,457,501</u>	<u>840,445</u>	<u>1,234,102</u>	<u>132,383</u>	<u>12,800</u>	<u>79,194</u>	<u>22,134,438</u>
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
	<u>959,753</u>	<u>1,577,821</u>	<u>317,370</u>	<u>123,676</u>	<u>156,497</u>	<u>35,262</u>	<u>247,972</u>	<u>3,418,351</u>
Total Expenses	<u>3,337,766</u>	<u>19,035,322</u>	<u>1,157,815</u>	<u>1,357,778</u>	<u>288,880</u>	<u>48,062</u>	<u>327,166</u>	<u>25,552,789</u>
Increase (Decrease) In Unrestricted Net Assets	<u>(348,685)</u>	<u>(442,279)</u>	<u>(309,566)</u>	<u>108,580</u>	<u>29,985</u>	<u>17,671</u>	<u>2,119,564</u>	<u>1,175,270</u>
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)
Increase In Temporarily Restricted Net Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,025,572)</u>	<u>(1,025,572)</u>
Increase (Decrease) In Net Assets	<u>\$ (348,685)</u>	<u>\$ (442,279)</u>	<u>\$ (309,566)</u>	<u>\$ 108,580</u>	<u>\$ 29,985</u>	<u>\$ 17,671</u>	<u>\$ 1,093,992</u>	<u>\$ 149,698</u>

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, 2009 AND 2008**

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, California.

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.

- (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 as prescribed for not-for-profit organizations by the financial accounting standards board. Accordingly, the net assets of the Council are classified and reported as follows:

- Unrestricted net assets – consist of resources that have not been restricted by the donor and represent contributions raised through various fund-raising, thrift store sales, and donated products and merchandise.
- Temporarily restricted net assets – consist of resources that were received with donor stipulations that limit use and represent contributions given specifically by the donor for the Council's Capital Campaign.
- Permanently restricted net assets – consist of resources received from donors to provide a permanent source of income and 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, 2009 AND 2008**

**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, 2009 and 2008, are as follows:

	2009	2008
Receivable In Less Than One Year	\$ 862,532	\$ 901,701
Receivable In Excess Of One Year	541,100	1,272,189
Total Unconditional Promises To Give	1,403,632	2,173,890
Less: Allowance For Uncollectible Promises	(42,109)	(66,642)
Net Unconditional Promises To Give	\$ 1,361,523	\$ 2,107,248

(5) Support And Revenue - The majority of the Council's grants and contracts support are federal pass-through funds from the State of California and the County of Orange. Support received from these grants is recognized on an accrual basis, based on funding provided through the term of the individual contracts, as specified by the grantor. Other support is from thrift store sales, client fees, contributions from community individuals and businesses.

(6) Accounts And Grants Receivable - The Council's accounts and grants receivables are primarily reimbursements and fees from governmental agencies and sub-recipients shared maintenance fees. They are based on services performed by the Council as written under contractual agreements. Management believes the receivables are collectible, and thus does not use the allowance method to record doubtful amounts. The use of the allowance method does not differ materially from the direct write-off method.

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008**

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

- (7) Inventory –Donations of food products to the Council are recorded at the fair value at the date of donation. The fair value of donated food and commodities has been based on management estimates with the use of the “Feeding America National Study,” a third-party network for food banks (formerly America’s Second Harvest). Inventory relating to donated merchandise sold in the Council’s thrift stores is based on the estimated fair 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 ended September 30, 2009 and 2008. The maximum shared maintenance rate is the maximum amount per pound that the Council can recover from the purchasing agencies.

As of September 30, 2009 and 2008, the donated food inventory is valued at fair value of \$1.58 and \$1.49 per pound on the statement of financial position which totaled \$1,138,994 and \$819,504, 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 \$992,085, at September 30, 2009, and \$723,685 at September 30, 2008, with a corresponding decrease in community support of the Second Harvest Food Bank for each period.

- (8) Land, Building, Furniture And Equipment - Land, building, furniture and equipment are stated at cost, less accumulated depreciation if purchased or estimated fair value if donated. 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, 2009 and 2008, depreciation expense totaled \$428,195 and \$353,660, respectively.
- (9) Long-Lived Assets And Asset Impairment - The Company accounts for impairment and disposition of long-lived assets in accordance with FASB ASC 360-10, “*Property, Plant, and Equipment.*” FASB ASC 360-10 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, 2009 and 2008, no impairment losses have been recorded.

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008**

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

- (10) Long-Lived Assets And Asset Impairment - The Company accounts for impairment and disposition of long-lived assets in accordance with FASB ASC 360-10, “*Property, Plant, and Equipment.*” FASB ASC 360-10 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, 2009 and 2008, no impairment losses have been recorded.
- (11) Deferred Revenue - As of September 30, 2009 and 2008, deferred revenue includes amounts received for various fundraising events which occurred subsequent to year-end.
- (12) Advertising Costs - Advertising costs are charged to operations when incurred. Advertising costs charged to operations for the years ended September 30, 2009 and 2008, totaled \$13,752 and \$8,303, respectively.
- (13) 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 FASB ASC 958-605, “*Accounting for Contributions Received,*” and have been recognized in the accompanying statements of activities as revenue and a corresponding expense. The fair value of these services at the time of donation were determined to be \$567,360 and \$879,321, for the years ended September 30, 2009 and 2008, respectively.

Substantial volunteer time does not meet the criteria of FASB ASC 958-605, 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):

	<u>2009 (Unaudited)</u>		
	<u>Number Of Volunteers</u>	<u>Number Of Hours</u>	<u>Value</u>
Areas Of Service:			
Thrift Stores	742	24,364	\$ 194,912
Second Harvest Foodbank	8,882	101,180	809,440
St. Vincent Center	12	161	1,288
Council Program Services	<u>332</u>	<u>3,111</u>	<u>24,888</u>
Subtotal	9,968	128,816	1,130,528
Conferences	<u>1,342</u>	<u>72,893</u>	<u>583,144</u>
	<u><u>11,310</u></u>	<u><u>201,709</u></u>	<u><u>\$1,613,672</u></u>

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008**

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

(13) Contributed Services – (Continued)

	2008 (Unaudited)		
	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
	10,315	213,914	\$1,711,312

- (14) 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 \$16,900 and \$37,100, at September 30, 2009 and 2008, respectively, and is included in “Deferred Rent” in the accompanying statements of financial position.
- (15) Income Taxes - The Council is recognized as a tax-exempt under Section 501(c)(3) of the Internal Revenue Code Section and the corresponding state code and is classified as an organization other than a private foundation. Accordingly, there is no provision for income taxes in the accompanying financial statements.
- (16) 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.

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008**

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

- (17) Investment Valuation and Income Recognition - The Council's investments are stated at fair value at September 30, 2009 and 2008, quoted market prices are used when applicable. Shares of mutual funds are valued at the net asset value of shares held by the Council at year end.

Purchases and sales of investments are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Capital gains and/or losses are reported the day after the trade date.

Net realized and unrealized activities appreciation (depreciation) is recorded in the accompanying "Statement Of Activities" in other income. Brokerage fees are added to the acquisition costs of assets purchased and subtracted from the proceeds of assets sold.

- (18) Recent Accounting Pronouncements – In June 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), "*Accounting for Uncertainty in Income Taxes—An interpretation of FASB Statement No. 109.*" FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, "*Accounting for Income Taxes.*" This Interpretation prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return including positions that the Organization is exempt from income taxes or not subject to income taxes on unrelated business income. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The Organization presently recognizes income tax positions based on management's estimate of whether it is reasonably possible that a liability has been incurred for unrecognized income tax benefits by applying FASB ASC 450.

The Organization has elected to defer the application of FIN 48 in accordance with FASB Staff Position (FSP) FIN 48-3. This FSP defers the effective date of FIN 48 for nonpublic enterprises included within its scope to the annual financial statements for fiscal years beginning after December 15, 2008. The Organization will be required to adopt FIN 48 in its 2010 annual financial statements. The provisions of FIN 48 are to be applied to all tax positions upon initial application of this standard.

Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption.

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008**

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

(18) Recent Accounting Pronouncements – (Continued)

The cumulative effect of applying the provisions of FIN 48 will be reported as an adjustment to the opening balance of net assets for the fiscal year of adoption. Management has not assessed the impact of FIN 48 on its financial position and results of operations and has not determined if the adoption of FIN 48 will have a material effect on its financial statements.

NOTE B: Risks And Uncertainties - The Council routinely maintains cash balances with a commercial bank in excess of federally insured limits. At September 30, 2009 and 2008, the amounts of uninsured cash balances were \$1,068,204 and \$681,711, respectively.

NOTE C: Inventory - Inventory consists of the following at September 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Thrift Stores	\$ 154,747	\$ 185,604
Donated Food	1,138,994	819,504
Purchased Commodities	<u>64,619</u>	<u>22,464</u>
Total Inventory	<u>\$ 1,358,360</u>	<u>\$ 1,027,572</u>

NOTE D: Land, Building, Furniture And Equipment - Land, building, furniture and equipment consist of the following at September 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Land	\$ 96,089	\$ 96,089
Buildings	156,096	156,096
Vehicles	1,240,746	833,349
Furniture And Equipment	1,230,368	1,239,341
Leasehold Improvements	<u>6,833,171</u>	<u>6,832,050</u>
	9,556,470	9,156,925
Less: Accumulated Depreciation And Amortization	<u>(1,687,506)</u>	<u>(1,327,490)</u>
Total Land, Buildings, Furniture And Equipment	<u>\$ 7,868,964</u>	<u>\$ 7,829,435</u>

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008**

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, 2009 and 2008, consist of the following:

	2009	2008
Cash	\$ 544,141	\$ 79,623
Unconditional Promises To Give, Net	1,361,523	2,107,248
Leasehold Improvements And Equipment	425,639	469,561
 Total Temporarily Restricted Net Assets	 \$ 2,331,303	 \$ 2,656,432

NOTE F: **Permanently Restricted Net Asset** - Permanently restricted net assets consist of 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, 2009, the investment’s return consisted of dividends and interest of \$7,596, realized and unrealized losses of \$762, and fees of \$1,880, with a net gain of \$4,954. At the end of the year, the fair value of the investment was \$177,088.

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 net loss of \$35,060. At the end of the year the fair value of the investment was \$172,134.

NOTE G: **Commitments And Contingencies**

(1) **Lines Of Credit** – For the years ended September 30, 2009 and 2008, the Council had a line of credit with a financial institution that provided for borrowings of up to \$800,000 with an expiration date of May 31, 2009, and subsequently continued on a month to month basis. At September 30, 2009 and 2008, the balances were \$748,647 and \$648,647, respectively. The unpaid principal amount of the balance bears interest at the prime rate, (3.25 percent and 5.00 percent at September 30, 2009 and 2008, respectively). The line of credit is collateralized by all Council assets.

The credit agreement contains various covenants pertaining to the net worth, debt to tangible net worth, fixed charge coverage, and capital campaign pledges. At September 30, 2009, the Council was in compliance or has obtained a waiver with respect to all financial covenant requirements.

Subsequent to year end the line was renewed with an interest rate of the bank’s prime rate not to be less than the sum of the daily adjusting LIBOR rate on any day plus 2.5 percent. The maturity date is set to coincide with the sale of real property located in Orange, California (see Note J).

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008**

NOTE G: Commitments And Contingencies – (Continued)

(1) Lines Of Credit – (Continued)

For the years ended September 30, 2009 and 2008, the Council had an additional unsecured line of credit with a not-for-profit institution that provided for borrowings up to \$250,000. At September 30, 2009 and 2008, the principal balance on this line of credit was \$250,000 and is included in “Long-Term Debt”, respectively in the accompanying statements of financial position. The unpaid interest amounted of \$42,293 and \$25,195, for the years ending September 30, 2009 and 2008, respectively, and are included in “Long-Term Debt” in the accompanying statements of financial position. The unpaid principal balance bears interest at 5.25 percent and matures in June 2011.

(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. The balance of the note as of September 30, 2009, totaled \$2,513,651 with the bank’s base rate of 3.25 percent. As of September 30, 2008, 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, September 30, 2013. The note is secured by all assets of the Council.

Subsequent to year end the note was revised bearing an interest rate of the bank’s prime rate not to be less than the sum of the daily adjusting LIBOR rate on any day plus 2.5 percent (see Note J).

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 balances of the total amount due at September 30, 2009 and 2008, was \$57,552 and \$72,467, respectively. 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:

2010	\$ 435,413
2011	1,009,125
2012	720,723
2013 And Thereafter	<u>698,235</u>
	<u>\$ 2,863,496</u>

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008**

NOTE G: Commitments And Contingencies – (Continued)

- (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 \$494,873 and \$812,792, for the years ended September 30, 2009 and 2008, respectively.

Future aggregate minimum annual rent payments under these non-cancelable leases, as of September 30, 2009, are as follows:

	Operating Leases
Year ending September 30:	
2010	\$ 159,481
2011 And Thereafter	59,535
Total Minimum Lease Payments	\$ 219,016

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

NOTE H: Allocation Of Joint Costs - For the years ended September 30, 2009 and 2008, the organization conducted activities that included appeals for contributions and incurred joint costs of \$412,069 and \$220,882, respectively. For the year ended September 30, 2009, these activities included costs from direct mail campaigns totaling \$148,254 and special event costs totaling \$263,815. For the year ended September 30, 2008, these activities included direct mail campaign costs totaling \$108,895 and special event costs totaling \$111,987.

NOTE I: Endowment Fund - The Council's endowment fund is made up of one fund established for a variety of purposes. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds, including unrestricted investment funds designated by the Board of Directors to be included in the endowment funds, are classified and reported based on existence or absence of donor-imposed restrictions.

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008**

NOTE I: Endowment Fund – (Continued)

Through December 31, 2007, the Council's management and investment of donor-restricted endowment funds were subject to the provision of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which serves as a guideline to states to use in enacting legislation. Among UPMIFA's most significant changes is the elimination of UMIFA's important concept of historic dollar value threshold, the amount below which an organization could not spend from the donor-restricted endowment fund in favor of a more robust set of guidelines about what constitutes prudent spending.

In 2008, the state of California enacted UPMIFA, the provisions of which apply to endowment funds existing on or established after that date. Based on its interpretation of the provisions of UPMIFA, the Council is required to act prudently when making decisions to spend or accumulate donor-restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor-restricted endowment funds. As a result of this interpretation, the Council classifies as permanently restricted net assets the original value of gifts with donor-imposed restrictions that such funds be retained as a permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Council has outsourced the management of the Second Harvest Endowment Fund to the Orange County Community Foundation (OCCF). The oversight of the investment portfolio is the responsibility of the OCCF Investment Committee whose members are appointed by and serve the OCCF Board of Directors, and which shall administer the investment portfolio in compliance with all written policies approved by the OCCF Board. Annual distributions are subject to the policies of the OCCF, which limit them to a maximum of five percent of the rolling average of the total account balance over the prior 12 months

The OCCF Investment Committee has contracted with an independent trust Foundation for the purpose of managing the investment and reinvestment of fund assets in a manner consistent with the overall investment policy as approved by the OCCF Board.

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008**

NOTE I: Endowment Fund – (Continued)

The Council’s investment objectives are determined by the OCCF to:

- Preserve the investment portfolio’s corpus over the long-term.
- Ensure the investment portfolio’s long-term ability to distribute income.
- Ensure that restricted donations are protected so that they are available for the target use.

In achieving the objectives, the Council’s primary investment mission is to preserve principal and to provide income to help sustain the Kid’s Café program in future years.

The following is the endowment net asset composition by type of fund as of September 30, 2009.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 177,088	\$ 177,088
Board-Designated Endowment Funds	-	-	-	-
Total Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,088</u>	<u>\$ 177,088</u>

The following are the changes in the endowment net assets for the year ended September 30, 2009.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning Of Year	\$ -	\$ -	\$ 172,134	\$ 172,134
Investment Return:				
Investment Income	-	-	7,596	7,596
Net Depreciation	-	-	(762)	(762)
Total Investment Return	\$ -	\$ -	\$ 6,834	\$ 6,834
Amount Appropriated For Expenditure	-	-	(1,880)	(1,880)
Endowment Net Assets, End Of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,088</u>	<u>\$ 177,088</u>

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008**

NOTE I: Endowment Fund – (Continued)

On October 1, 2008, the Council adopted FASB ASC 820-10, “*Fair Value Measurements*,” which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liabilities;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

A description of the valuation methodologies used for assets measured at fair value is disclosed in Note A (17). There have been no changes in the methodologies used at September 30, 2009.

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008**

NOTE I: Endowment Fund – (Continued)

The methods described in Note A (17) may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets, measured on a recurring basis, at fair value as of September 30, 2009:

	Level 1	Level 2	Level 3	Total
Marketable Securities	\$ -	\$ -	\$ 177,088	\$ 177,088
Total Assets At Fair Value	\$ -	\$ -	\$ 177,088	\$ 177,088

The following is a reconciliation of activity for 2009 for assets measured at fair value based on significant unobservable (non-market) information:

Balance, Beginning Of Year	\$ 172,134
Interest Income	7,596
Realized And Unrealized Gains/(Losses)	(762)
Purchases, issuances, and settlements	\$ (1,880)
Balance, end of year	\$ 177,088

NOTE J: Subsequent Event - Subsequent to year end the Council sold real property located in Orange, California in the amount of \$1,790,000. A portion of the proceeds from the sale were used to pay off the line of credit mentioned in Note G(1) in the amount of approximately \$748,000. Additionally, a payment of \$833,000 was made on the long-term debt mentioned in Note G(2).

Events occurring after September 30, 2009, have been evaluated for possible adjustment to the financial statements or disclosure as of February 23, 2010, which is the date the financial statements were available to be issued.

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

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2009

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPPORTING 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, 2009, and have issued our report thereon dated February 23, 2010. 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.

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.

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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 February 23, 2010.

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

February 23, 2010

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, 2009. 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, 2009.

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

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.

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.

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.

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

February 23, 2010
Irvine, CA

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the basic financial statements of the the Council of Orange County Society of St. Vincent de Paul (the "Council") as of and for the year ended September 30, 2009, and have issued our report thereon dated February 23, 2010. Our audit was performed for the purpose of forming our opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Audit Committee, Board of Trustees, Council's management, others within the Organization, 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
February 23, 2010
Irvine, CA

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2009**

Section I - Summary Of Auditors' Result:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to material weaknesses? X yes _____ none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditor's report issued on compliance for Major programs: Unqualified

Any audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule. X yes _____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.568 And 10.569	United States Department of Agriculture: Pass-through the California Department of Social Services - Emergency Food Assistance Program (Cash and Food Programs) (American Recovery and Rehabilitation Act)
10.559	United States Department of Agriculture: Pass-through the California Department of Education Child Nutrition Fiscal Services: Summer Food Services Program

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2009**

Section I - Summary Of Auditors' Result: - (Continued)

97.024 United Sates Department of Homeland Security:
Emergency Food and Shelter Program

97.114 Passed-through the Orange County
Emergency Food And Shelter Program –
Emergency Food and Shelter Program
National Board Program (American
Recovery And Rehabilitation Act)

Dollar threshold used for distinguishing between
Type A and B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2009**

Department of Housing And Urban Development (“HUD”)

CFNA 14.235

Finding 2008-01 Grant Number CA16B402003

Condition: In the year ending September 30, 2008, there was a significant deficiency finding stating that HUD had 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 national housing cost average, (2) selected residences did not comply with HUD environmental protocols, and (3) improper calculation of initial matching funds.

Recommendation: The auditor recommended for the year ending September 30, 2008, that the Council accrue the amount of funds which it will believes will be paid out to the Department of Housing and Urban Development in the years moving forward.

Current Status: The Council proposed a five-year payback plan to the Department of Housing and Urban Development, but has not received a response from the department as of the date the Single Audit was issued for the year ended September 30, 2009.

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2009**

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	\$ 264,135
Food Distribution (noncash)	10.569*	-	2,075,577
American Recovery And Rehabilitation Act (ARRA)	10.568*	-	<u>61,396</u>
			<u>2,401,108</u>
United States of Housing and Urban Development:			
California Association of Food Banks	10.561	08-85122	<u>17,159</u>
United States Department of Agriculture:			
Passed through the California Department of Education Child Nutrition Fiscal Services:			
Summer Food Service Program	10.559*	30-93012W	<u>335,019</u>
United States Department of Homeland Security:			
Emergency Food And Shelter Program	97.024*	27-0786-006	246,718
Passed through the Orange County Emergency Food And Shelter Program - Emergency Food And Shelter National Board Program (ARRA)	97.114*	-	<u>408,865</u>
			<u>655,583</u>
Passed through the City of Anaheim:			
Community Development Block Grant (CDBG)	14.218	-	<u>15,539</u>
Total Federal Expenditures			<u><u>\$ 3,424,408</u></u>

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.

*Indicates a major federal program for the fiscal year ended September 30, 2009.

**COUNCIL OF ORANGE COUNTY
SOCIETY OF ST. VINCENT DE PAUL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2009**

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, 2009. 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, 2009, the Council passed through \$2,075,577 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).