

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

**FINANCIAL STATEMENTS**

**NINE MONTHS ENDED JUNE 30, 2010**

**WITH INDEPENDENT AUDITORS' REPORT**

**COUNCIL OF ORANGE COUNTY  
SOCIETY OF ST. VINCENT DE PAUL  
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JUNE 30, 2010**

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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 statement of financial position of the Council of Orange County Society of St. Vincent de Paul (the "Council") as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the nine months 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 audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 June 30, 2010, and the changes in its net assets and its cash flows for the nine months 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 January 31, 2011, 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 considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*", and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*White, Nelson & Co. LLP*

January 31, 2011  
Irvine, CA

**COUNCIL OF ORANGE COUNTY  
SOCIETY OF ST. VINCENT DE PAUL  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2010**

**ASSETS**

Current Assets:	
Cash	\$ 1,620,636
Restricted Cash	79,689
Accounts Receivable	83,306
Grants Receivable	220,538
Unconditional Promises To Give, Net	761,702
Inventory	1,958,212
Prepaid Expenses And Deposits	97,871
Current Portion - Note Receivable	<u>4,533</u>
 Total Current Assets	 <u>4,826,487</u>
 Furniture, Fixtures, Improvements, And Equipment, Net	 <u>7,819,179</u>
Other Assets:	
Long-Term Unconditional Promises To Give, Net	31,150
Restricted Long-Term Investments	176,050
Note Receivable	<u>244,015</u>
 Total Other Assets	 <u>451,215</u>
 Total Assets	 <u>\$ 13,096,881</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities:	
Accounts Payable And Accrued Expenses	\$ 302,229
Deferred Rent	11,684
Long-Term Debt - Current Portion	<u>320,431</u>
 Total Current Liabilities	 <u>634,344</u>
 Long-Term Liabilities:	
Long-Term Debt	<u>1,470,702</u>
 Total Long-Term Liabilities	 <u>1,470,702</u>
 Total Liabilities	 <u>2,105,046</u>
Net Assets:	
Unrestricted	9,539,160
Temporarily Restricted	1,276,625
Permanently Restricted	<u>176,050</u>
 Total Net Assets	 <u>10,991,835</u>
 Total Liabilities And Net Assets	 <u>\$ 13,096,881</u>

The accompanying notes are an integral part of these financial statements

**COUNCIL OF ORANGE COUNTY  
SOCIETY OF ST. VINCENT DE PAUL  
STATEMENT OF ACTIVITIES  
NINE MONTHS ENDED JUNE 30, 2010**

Unrestricted Support And Revenue:	
Community Support:	
Grants And Awards	\$ 1,153,423
Contributions	746,249
Donated Food Products And Merchandise	17,560,803
Contributed Services	<u>89,772</u>
Total Community Support	<u>19,550,247</u>
Special Events Revenue	1,502,651
Costs Of Direct Benefits To Donors	<u>(433,701)</u>
Net Special Events Revenue	<u>1,068,950</u>
Revenue:	
Thrift Store Sales	640,670
Participation And Program Fees	1,724,223
Purchased Item Fees	316,245
Gain On Disposal Of Property And Equipment	1,590,355
Other Income	<u>9,175</u>
Total Revenue	4,280,668
Net Assets Released From Restrictions	<u>1,055,716</u>
Total Unrestricted Support And Revenue	<u>25,955,581</u>
Expenses:	
Program Services	
Thrift Stores	998,143
Second Harvest Food Bank	19,019,559
Council Program Services	142,057
Capital Campaign	<u>(7,759)</u>
Total Program Expenses	<u>20,152,000</u>
Support Services:	
Fund-Raising	175,857
General And Administrative	<u>2,194,625</u>
Total Support Expenses	<u>2,370,482</u>
Total Expenses	<u>22,522,482</u>
Increase In Unrestricted Net Assets	<u>3,433,099</u>
Temporarily Restricted Support:	
Funds Used For Operations	<u>(1,054,678)</u>
Decrease In Temporarily Restricted Net Assets	<u>(1,054,678)</u>
Permanently Restricted Support:	
Realized Loss On Restricted Long-Term Investments	<u>(1,038)</u>
Decrease In Permanently Restricted Net Assets	<u>(1,038)</u>
Increase In Total Net Assets	2,377,383
Total Net Assets At Beginning Of Year	<u>8,614,452</u>
Total Net Assets At End Of Year	<u>\$ 10,991,835</u>

The accompanying notes are an integral part of these financial statements

**COUNCIL OF ORANGE COUNTY  
SOCIETY OF ST. VINCENT DE PAUL  
STATEMENT OF CASH FLOWS  
NINE MONTHS ENDED JUNE 30, 2010**

Cash Flows From Operating Activities:	
Increase In Total Net Assets	\$ 2,377,383
Non Cash Items Included In Change In Total Assets:	
Depreciation	353,486
Gain On Sale Of Property And Equipment	(1,590,355)
Allowance For Uncollectible Promises To Give	(17,279)
Deferred Rent Expense	(5,227)
Changes In:	
Accounts Receivable	(10,391)
Grants Receivable	15,786
Unconditional Promises To Give	76,000
Inventory	(599,852)
Prepaid Expenses And Deposits	123,543
Accounts Payable And Accrued Expenses	15,891
Deferred Revenue	<u>(154,674)</u>
Net Cash Provided By Operating Activities	584,311
Cash Flows From Investing Activities:	
Purchase Of Property And Equipment	(405,923)
Proceeds From Sale Of Property And Equipment	1,692,577
Realized Loss On Restricted Long-Term Investments	1,038
Note Receivable Issued	<u>(248,548)</u>
Net Cash Provided By Investing Activities	1,039,144
Cash Flows From Financing Activities:	
Long-Term Unconditional Promises To Give	509,950
Net Payments On Line Of Credit	(748,647)
Proceeds From Long-Term Debt	11,667
Payments On Long -Term Debt	<u>(1,084,030)</u>
Net Cash Used In Financing Activities	<u>(1,311,060)</u>
Net Change In Cash - Increase	312,395
Cash And Restricted Cash At Beginning Of Year	<u>1,387,930</u>
Cash And Restricted Cash At End Of Year	<u><u>\$ 1,700,325</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 CASH FLOWS (CONTINUED)  
NINE MONTHS ENDED JUNE 30, 2010**

Supplemental Disclosure Of Cash Flow Information:

Cash Paid For Interest	\$ <u>78,934</u>
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Supplemental Schedule Of Non-Cash Investing Activities:

Donation Of Property And Equipment	\$ <u>207,783</u>
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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)  
NINE MONTHS ENDED JUNE 30, 2010**

	Thrift Stores	Second Harvest Foodbank	Council Program Services	Council Administration	Capital Campaign	Total
Unrestricted Support And Revenue:						
Community Support:						
Grants And Awards	\$ -	\$ 1,088,423	\$ 65,000	\$ -	\$ -	\$ 1,153,423
Contributions	140	713,124	32,985	-	-	746,249
Donated Food Products And Merchandise	640,670	16,920,133	-	-	-	17,560,803
Contributed Services	-	88,272	1,500	-	-	89,772
Total Community Support	<u>640,810</u>	<u>18,809,952</u>	<u>99,485</u>	<u>-</u>	<u>-</u>	<u>19,550,247</u>
Special Events Revenue	-	1,467,424	35,227	-	-	1,502,651
Costs Of Direct Benefits To Donors	-	(411,644)	(22,057)	-	-	(433,701)
Net Special Events Revenue And Expense	<u>-</u>	<u>1,055,780</u>	<u>13,170</u>	<u>-</u>	<u>-</u>	<u>1,068,950</u>
Revenue:						
Thrift Store Sales	640,670	-	-	-	-	640,670
Participation Fees And Program Fees	-	1,655,962	68,261	-	-	1,724,223
Purchased Item Fees	-	316,245	-	-	-	316,245
Gain (Loss) On Disposal Of Property And Equipment	(3,114)	(442)	1,593,911	-	-	1,590,355
Other Income (Expense)	-	4,164	20	4,991	-	9,175
Total Revenue	<u>637,556</u>	<u>1,975,929</u>	<u>1,662,192</u>	<u>4,991</u>	<u>-</u>	<u>4,280,668</u>
Net Assets Released From Restriction	-	1,038	-	-	1,054,678	1,055,716
Total Unrestricted Support And Revenue	<u>1,278,366</u>	<u>21,842,699</u>	<u>1,774,847</u>	<u>4,991</u>	<u>1,054,678</u>	<u>25,955,581</u>
Expenses:						
Program Services:						
Cost Of Sales	38,748	643,162	698	-	(7,759)	674,849
Distribution Of Donated Food Products And Merchandise	640,670	16,712,350	-	-	-	17,353,020
Free Distribution Of Commodities	24,612	508,406	-	-	-	533,018
Program Expenses	200	108,912	83,702	-	-	192,814
Personnel	293,913	958,457	56,157	-	-	1,308,527
Contributed Services	-	88,272	1,500	-	-	89,772
	<u>998,143</u>	<u>19,019,559</u>	<u>142,057</u>	<u>-</u>	<u>(7,759)</u>	<u>20,152,000</u>
Support Services:						
Fund-Raising	-	146,301	29,556	-	-	175,857
Personnel	-	396,069	6,873	300,917	-	703,859
Occupancy	353,247	254,196	6,340	270	-	614,053
Transportation	109	22,626	6,634	4,592	-	33,961
Depreciation And Amortization	17,425	326,428	9,633	-	-	353,486
Advertising And Promotion	1,461	64,314	7,688	78	-	73,541
Supplies And Printing	5,096	68,406	9,715	1,072	-	84,289
Allocation Of Administrative Expenses	74,325	206,533	59,881	(340,739)	-	-
Other	5,847	155,301	115,096	55,192	-	331,436
	<u>457,510</u>	<u>1,640,174</u>	<u>251,416</u>	<u>21,382</u>	<u>-</u>	<u>2,370,482</u>
Total Expenses	<u>1,455,653</u>	<u>20,659,733</u>	<u>393,473</u>	<u>21,382</u>	<u>(7,759)</u>	<u>22,522,482</u>
Increase (Decrease) In Unrestricted Net Assets	<u>(177,287)</u>	<u>1,182,966</u>	<u>1,381,374</u>	<u>(16,391)</u>	<u>1,062,437</u>	<u>3,433,099</u>
Temporarily Restricted Support:						
Funds Used For Operations	-	-	-	-	(1,054,678)	(1,054,678)
Decrease In Temporarily Restricted Net Assets	-	-	-	-	(1,054,678)	(1,054,678)
Permanently Restricted Support:						
Unrealized/Realized Loss - Endowment Fund	-	(1,038)	-	-	-	(1,038)
Decrease In Permanently Restricted Net Assets	-	(1,038)	-	-	-	(1,038)
Increase (Decrease) In Net Assets	<u>\$ (177,287)</u>	<u>\$ 1,181,928</u>	<u>\$ 1,381,374</u>	<u>\$ (16,391)</u>	<u>\$ 7,759</u>	<u>\$ 2,377,383</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  
JUNE 30, 2010**

**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.

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(5)). 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 (FASB). 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.
- 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  
JUNE 30, 2010**

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

(3) Financial Statement Presentation – The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). On July 1, 2009, the FASB issued a standard that established the FASB Accounting Standards Codification (“ASC” or “Codification”). This standard, known as FASB ASC 105, “*Generally Accepted Accounting Principles*”, establishes the Codification as the single source of authoritative nongovernmental U.S. GAAP, and is effective for interim and annual periods ending after September 15, 2009. The ASC does not change current U.S. GAAP, and as such, does not have an impact on the Council’s financial statements. References to previous authoritative literature have been changed to coincide with the appropriate section of the ASC. New accounting standards issued subsequent to June 30, 2009, are communicated by the FASB through Accounting Standards Updates (“ASUs”).

(4) Cash - The Council considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(5) 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 June 30, 2010 are as follows:

Receivable In Less Than One Year	\$ 786,532	
Receivable In Excess Of One Year	31,150	_____
Total Unconditional Promises To Give	817,682	
Less: Allowance For Uncollectible Promises	(24,830)	_____
Net Unconditional Promises To Give	\$ 792,852	_____

(6) Support And Revenue - The majority of the Council’s grants and contracts support are federal pass-through funds from the State of California. 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.

**COUNCIL OF ORANGE COUNTY  
SOCIETY OF ST. VINCENT DE PAUL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

- (7) 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 they do 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.
- (8) 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's 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 the nine months ended June 30, 2010. The maximum shared maintenance rate is the maximum amount per pound that the Council can recover from the purchasing agencies.

As of June 30, 2010, the donated food inventory is valued at a fair value of \$1.60 per pound on the statement of financial position which totaled \$1,591,876. 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 \$1,421,662 at June 30, 2010, with a corresponding decrease in community support of the Second Harvest Food Bank for that period.

- (9) Furniture, Fixtures, Improvements, And Equipment – Furniture, fixtures, improvements, 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 nine months ended June 30, 2010, depreciation expense totaled \$353,486.

**COUNCIL OF ORANGE COUNTY  
SOCIETY OF ST. VINCENT DE PAUL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

- (10) Long-Lived Assets And Asset Impairment - The Council 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. There was no impairment of the value of such assets for the nine months ended June 30, 2010.
- (11) Advertising Costs - Advertising costs are charged to operations when incurred. Advertising costs charged to operations for the nine months ended June 30, 2010 totaled \$7,116.
- (12) Contributed Services - A substantial number of volunteers have donated significant amounts of time in the operation of the Council’s thrift shops, program services, 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 statement of activities as revenue and a corresponding expense. The fair value of these services at the time of donation were determined to be \$89,772 for the nine months ended June 30, 2010.

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 and determined to be the following for the nine months ended June 30, 2010 (unaudited):

	<u>Number Of Volunteers</u>	<u>Number Of Hours</u>	<u>Value</u>
Areas Of Service:			
Thrift Stores	350	11,330	\$ 90,640
Second Harvest Foodbank	8,782	75,253	602,024
Administration	3	171	1,368
Council Program Services	<u>145</u>	<u>2,360</u>	<u>18,880</u>
	<u>9,280</u>	<u>89,114</u>	<u>\$ 712,912</u>

**COUNCIL OF ORANGE COUNTY  
SOCIETY OF ST. VINCENT DE PAUL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

- (13) 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 \$11,684 at June 30, 2010 and is included in "Deferred Rent" in the accompanying statement of financial position.
- (14) Income Taxes - The Council is recognized as 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.
- (15) 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.
- (16) Investment Valuation And Income Recognition - The Council's investments are stated at fair value at June 30, 2010, and 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 activity 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.

- (17) Change In Year End – The Council has elected to change its year end from September 30 to June 30.

**COUNCIL OF ORANGE COUNTY  
SOCIETY OF ST. VINCENT DE PAUL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

- (18) Recent Accounting Pronouncements – In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-06, “*Fair Value Measurements And Disclosures (Topic 820) – Improving Disclosures About Fair Value Measurements.*” ASU 2010-06 requires new disclosures regarding transfers in and out of Levels 1 and 2, as well as requires more detailed information in the reconciliation of changes in Level 3 assets. In addition, ASU 2010-06 provides for amended disclosures regarding the level of disaggregation, as well as amended disclosures about inputs and valuation techniques used to measure fair value. This is meant to improve transparency in the disclosures regarding fair value. Most of the provisions of ASU 2010-06 are effective for fiscal years, and for interim periods within that first annual reporting period, beginning after December 15, 2009. The portion of the ASU regarding the additional information required for the reconciliation of Level 3 assets is effective for fiscal years, and for interim periods within that first annual reporting period, beginning after December 15, 2010.

The Council is currently evaluating the impact of the provisions of ASU 2010-06 on the presentation of its financial statements.

**NOTE B: Concentrations, Risks And Uncertainties** - The Council maintains cash balances at several banks. At June 30, 2010, accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest bearing accounts and unlimited insurance for non-interest bearing accounts. The cash balances at the institutions in excess of federally insured limits at June 30, 2010 totaled \$219,576.

**NOTE C: Inventory** - Inventory consists of the following at June 30, 2010:

Thrift Stores	\$ 156,238
Donated Food	1,591,876
Purchased Commodities	<u>210,098</u>
Total Inventory	<u>\$ 1,958,212</u>

**COUNCIL OF ORANGE COUNTY  
SOCIETY OF ST. VINCENT DE PAUL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE D:** **Furniture, Fixtures, Improvements And Equipment** - Land, building, furniture and equipment consist of the following at June 30, 2010:

Vehicles	\$ 1,544,431
Furniture And Equipment	1,211,348
Leasehold Improvements	<u>6,812,213</u>
	9,567,992
Less: Accumulated Depreciation And Amortization	<u>(1,748,813)</u>
 Total Furniture, Fixtures, Improvements And Equipment	 <u>\$ 7,819,179</u>

**NOTE E:** **Note Receivable** - Note receivable due from a corporation at June 30, 2010 consist of a \$250,000 loan bearing a 6 percent interest rate, secured by the personal property and business assets, and maturing February 2015.

The following are maturities of note receivable for each of the next five years ending June 30:

2011	\$ 4,533
2012	4,813
2013	5,191
2014	5,425
2015	<u>228,586</u>
	<u>\$ 248,548</u>

**NOTE F:** **Temporarily Restricted Net Assets** - Temporarily restricted net assets are available for use in regards to the new warehouse. Temporarily restricted net assets as of June 30, 2010 consist of the following:

Cash	\$ 79,689
Unconditional Promises To Give, Net	792,852
Leasehold Improvements And Equipment, Net	<u>404,084</u>
 Total Temporarily Restricted Net Assets	 <u>\$ 1,276,625</u>

**COUNCIL OF ORANGE COUNTY  
SOCIETY OF ST. VINCENT DE PAUL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE G:**     **Permanently Restricted Net Assets** - Permanently restricted net assets consist of an investment in an endowment fund which invests in pooled accounts. Any earnings from the endowment fund are expendable as support for the Foodbank. During the nine months ended June 30, 2010, the investment's return consisted of dividends and interest of \$3,478, realized and unrealized losses of \$3,071, and fees of \$1,445, with a net loss of \$1,038. At the end of the year, the fair value of the investment was \$176,050.

**NOTE H:**     **Commitments And Contingencies**

- (1)     **Lines Of Credit** – For the nine months ended June 30, 2010, the Council had a line of credit with a financial institution that provided for borrowings of up to \$800,000 with a maturity date set to coincide with the sale of real property located in Orange, California. The interest rate was based on 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 (4.25 percent during the nine months ended June 30, 2010). The real property was sold during February 2010 and the remaining balance on the line of credit was paid off. The line of credit was collateralized by all Council assets. The credit agreement contained various covenants pertaining to net worth, debt to tangible net worth, fixed charge coverage, and capital campaign pledges.

For the nine months ended June 30, 2010, the Council had an additional unsecured line of credit with a not-for-profit institution that provided for borrowings up to \$250,000. At June 30, 2010, the principal balance on this line of credit was \$250,000 and is included in "Long-Term Debt – Current Portion" on the accompanying statement of financial position. The unpaid interest amounted to \$53,960 as of June 30, 2010 and is also included in "Long-Term Debt – Current Portion" on the accompanying statement of financial position. The unpaid principal balance bears interest at 5.25 percent and matures in June 2011.

- (2)     **Long-Term Debt** – On December 30, 2009, the Council entered into a note agreement with a financial institution totaling \$2,513,657 and bearing interest at 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 (4.25 percent during the nine months ended June 30, 2010). At June 30, 2010, the outstanding principal balance on this note was \$1,442,651. The principal will be paid in four annual installments and outstanding interest is due on the maturity date of September 30, 2013. The note is secured by all assets of the Council.

During the fiscal year ended September 30, 2008, the Council entered into note agreements with an institution totaling \$88,405 and bearing interest at 6.04 percent. The balances of the total amount due at June 30, 2010 was \$44,522. The note is secured by two automobiles and matures October 2013.

**COUNCIL OF ORANGE COUNTY  
SOCIETY OF ST. VINCENT DE PAUL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE H: Commitments And Contingencies – (Continued)**

(2) Long-Term Debt – (Continued)

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

2011		\$ 320,431
2012		65,631
2013		706,834
2014		<u>698,237</u>
		<u>\$ 1,791,133</u>

(3) Operating Leases - The Council has entered into several leases for thrift shops expiring through May 2011. Total rent expense related to such operating leases amounted to \$287,789 for the nine months ended June 30, 2010. Future aggregate minimum annual rent payments under these non-cancelable leases, as of June 30, 2010, are \$124,559.

(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 I: Allocation Of Joint Costs** - For the nine months ended June 30, 2010, the organization conducted activities that included appeals for contributions and incurred joint costs of \$434,671. These activities included costs from direct mail campaigns totaling \$218,390 and special event costs totaling \$216,281 for the nine months ended June 30, 2010.

**NOTE J: 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. 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.

**COUNCIL OF ORANGE COUNTY  
SOCIETY OF ST. VINCENT DE PAUL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE J: Endowment Fund – (Continued)**

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.

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.

**COUNCIL OF ORANGE COUNTY  
SOCIETY OF ST. VINCENT DE PAUL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE J: Endowment Fund – (Continued)**

The following is the endowment net asset composition by type of fund as of June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 176,050	\$ 176,050
Board-Designated Endowment Funds	-	-	-	-
Total Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,050</u>	<u>\$ 176,050</u>

The following are the changes in the endowment net assets for the nine months ended June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning Of Year	\$ -	\$ -	\$ 177,088	\$ 177,088
Investment Return:				
Investment Income	-	-	3,478	3,478
Net Depreciation	-	-	(3,071)	(3,071)
Total Investment Return	\$ -	\$ -	\$ 407	\$ 407
Amount Appropriated For Expenditure	-	-	(1,445)	(1,445)
Endowment Net Assets, End Of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,050</u>	<u>\$ 176,050</u>

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:

**COUNCIL OF ORANGE COUNTY  
SOCIETY OF ST. VINCENT DE PAUL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE J: Endowment Fund – (Continued)**

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 (16). There have been no changes in the methodologies used during the nine months ending June 30, 2010.

The methods described in Note A (16) 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.

**COUNCIL OF ORANGE COUNTY  
SOCIETY OF ST. VINCENT DE PAUL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE J: Endowment Fund – (Continued)**

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 June 30, 2010:

	Level 1	Level 2	Level 3	Total
Marketable Securities	\$ _____ -	\$ _____ -	\$ 176,050	\$ 176,050
Total Assets At Fair Value	\$ _____ -	\$ _____ -	\$ 176,050	\$ 176,050

The following is a reconciliation of activity for the nine months ending June 30, 2010 for assets measured at fair value based on significant unobservable (non-market) information:

Balance, Beginning Of Year	\$ 177,088
Interest Income	3,478
Realized And Unrealized Gains/(Losses)	(3,071)
Purchases, Issuances, And Settlements	(1,445)
Balance, End Of Year	\$ 176,050

**NOTE K: Subsequent Events –** As of the date of this report two of the thrift stores have been closed. All events occurring after June 30, 2010, have been evaluated for possible adjustment to the financial statements or disclosure as of January 31, 2011, 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**

**NINE MONTHS ENDED JUNE 30, 2010**

**COUNCIL OF ORANGE COUNTY  
SOCIETY OF ST. VINCENT DE PAUL  
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SINGLE AUDIT REPORTS  
NINE MONTHS ENDED JUNE 30, 2010**

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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 nine months ended June 30, 2010, and have issued our report thereon dated January 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

## **Compliance And Other Matters**

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

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*

January 31, 2011  
Irvine, CA

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

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

**Compliance**

We have audited the Council of Orange County Society of St. Vincent de Paul's (the "Council") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the nine months ended June 30, 2010. 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 Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Council's compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the nine months ended June 30, 2010.

## **Internal Control Over Compliance**

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 the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the 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*

January 31, 2011  
Irvine, CA

**COUNCIL OF ORANGE COUNTY  
 SOCIETY OF ST. VINCENT DE PAUL  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 NINE MONTHS ENDED JUNE 30, 2010**

**Section I - Summary Of Auditors' Results:**

*Financial Statements*

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Type of auditors' 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? \_\_\_\_\_ yes   X   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 Reinvestment Act)
97.024	United States Department of Homeland Security: Emergency Food and Shelter Program

**COUNCIL OF ORANGE COUNTY  
SOCIETY OF ST. VINCENT DE PAUL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)  
NINE MONTHS ENDED JUNE 30, 2010**

**Section I - Summary Of Auditors' Results:** - (Continued)

Dollar threshold used for distinguishing between  
Type A and B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes      X   no

**COUNCIL OF ORANGE COUNTY  
SOCIETY OF ST. VINCENT DE PAUL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
NINE MONTHS ENDED JUNE 30, 2010**

**Department Of Housing And Urban Development (“HUD”)**

**CFNA 14.235**

**Finding 2008-01      Grant Number CA16B402003**

**Condition:** In the fiscal 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 fiscal year ending September 30, 2008 that the Council accrue the amount of funds which it 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 an agreement as to the amount to be paid has not been finalized as of the date the Single Audit was issued for the nine months ending June 30, 2010.

**COUNCIL OF ORANGE COUNTY  
SOCIETY OF ST. VINCENT DE PAUL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
NINE MONTHS ENDED JUNE 30, 2010**

<b>Federal grantor/ pass-through grantor: program title</b>	<b>Catalog of federal domestic assistance number (CFDA No.)</b>	<b>Grantor contract number</b>	<b>Federal expenditures</b>
United States Department of Agriculture: Passed through the California Department of Social Services – Emergency Food Assistance Program (EFAP):			
Cash Program	10.568	MOU 07-6040	\$ 123,358
Food Distribution (non-cash)	10.569	-	2,020,547
American Recovery And Reinvestment Act (ARRA)	10.568	-	<u>64,557</u>
			<u>2,208,462</u>
United States Department of Housing and Urban Development:			
California Association of Food Banks			
Nutrition Education Program	10.561	09-11213	11,748
Supplemental Nutrition Assistance Program	10.561	10-10042	<u>11,275</u>
			<u>23,023</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>174,364</u>
United States Department of Homeland Security: Emergency Food And Shelter Program Passed through the Orange County Emergency Food And Shelter Program			
	97.024	28-0786-006 28-0786-049	<u>458,120</u>
Total Federal Expenditures			<u>\$ 2,863,969</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.

**COUNCIL OF ORANGE COUNTY  
SOCIETY OF ST. VINCENT DE PAUL  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
NINE MONTHS ENDED JUNE 30, 2010**

**NOTE A: General**

The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of all federal award programs of the Council of Orange County Society of St. Vincent de Paul (the "Council") for the nine months ended June 30, 2010. The Schedule of Expenditures of Federal Awards includes 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 Non-Profit 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 nine months ending June 30, 2010, the Council passed through \$2,020,547 to other not-for-profit agencies under the U.S. Department of Agriculture/California Department of Social Services-Emergency Food Assistance Program (CFDA #10.569).