

ST. VINCENT DE PAUL SOCIETY, INC.

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FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS REPORT

SEPTEMBER 30, 2013

ST. VINCENT DE PAUL SOCIETY, INC.

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# BROOKS, MCGINNIS & COMPANY, LLC

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MEMBER OF AICPA  
DIVISION FOR CPA FIRMS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of the St. Vincent de Paul Society, Inc.:

We have audited the accompanying financial statements of St. Vincent de Paul Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

### **Opinion**

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

Atlanta, Georgia  
May 7, 2014

*Brooks, McGinnis & Company, LLC*

ST. VINCENT DE PAUL SOCIETY, INC.  
STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2013

ASSETS

Cash and cash equivalents	\$ 1,813,052
Accounts receivable	200,650
Investments	145,738
Inventory	452,073
Prepaid expenses	35,279
Cemetery lots and mausoleum spaces	135,973
Property and equipment, net	211,448
Other assets	<u>22,658</u>
Total assets	<u><u>\$ 3,016,871</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 67,222
Accrued expenses	86,798
Deferred revenue	140,040
Capital lease obligation	35,144
Other liabilities	<u>47,271</u>
Total liabilities	<u>376,475</u>
Commitments and contingencies	
Net assets:	
Unrestricted:	
Available for operations	1,927,426
Board designated	335,738
Invested in property and equipment, net of debt	<u>176,304</u>
Total unrestricted	2,439,468
Temporarily restricted	190,928
Permanently restricted	<u>10,000</u>
Total net assets	<u><u>2,640,396</u></u>
Total liabilities and net assets	<u><u>\$ 3,016,871</u></u>

The accompanying notes are an integral part of these financial statements

ST. VINCENT DE PAUL SOCIETY, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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Changes in unrestricted net assets:

Public support:

Individuals, private foundations, grants and corporations	\$ 7,579,193
In-kind donations	2,128,836
Fundraising events, net of expenses of \$139,991	340,244
Annual collection	298,582
Estates and memorials	40,001
Net assets released from restrictions	261,578
Total public support	<u>10,648,434</u>

Revenue and gains:

Thrift stores	2,061,170
Investment income	26,182
Loss on disposal of property and equipment	(22,075)
Fair market value of assets - The Sullivan Center	177,700
Total revenue and gains	<u>2,242,977</u>

Total public support, revenue and gains	<u>12,891,411</u>
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Expenses:

Program services	<u>10,925,558</u>
Supporting services:	
General and administrative	958,654
Fundraising	444,560
Total supporting services	<u>1,403,214</u>
Total expenses	<u>12,328,772</u>

Increase in unrestricted net assets	<u>562,639</u>
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The accompanying notes are an integral part of these financial statements

ST. VINCENT DE PAUL SOCIETY, INC.  
STATEMENT OF ACTIVITIES – CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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Changes in temporarily restricted net assets:	
Grants	\$ 397,037
Net assets released from restrictions	<u>(261,578)</u>
Increase in temporarily restricted net assets	<u>135,459</u>
Increase in net assets	698,098
Net assets at beginning of year	<u>1,942,298</u>
Net assets at end of year	<u><u>\$ 2,640,396</u></u>

The accompanying notes are an integral part of these financial statements

ST. VINCENT DE PAUL SOCIETY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Program Services					Supporting Services				
	Direct Aid	Thrift Store Operations	Thrift Store Recycling	Conferences Services	Total Program Services	Administration	Communication	Total General and Administrative	Fundraising	Total Expenses
Direct aid	\$ 1,176,193	\$ 0	\$ 0	\$ 7,521,288	\$ 8,697,481	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,697,481
Salaries	392,052	268,650	58,151	135,845	854,698	167,249	60,814	228,063	210,286	1,293,047
Rent	38,761	570,257	38,388	1,974	649,380	62,224	689	62,913	1,738	714,031
Payroll taxes and benefits	64,778	32,752	11,932	24,072	133,534	60,377	11,982	72,359	35,025	240,918
Utilities	15,596	162,117	3,236	7,748	188,697	31,481	3,502	34,983	12,560	236,240
Miscellaneous expenses	8,485	109,257	32	4,421	122,195	70,773	0	70,773	15,014	207,982
Advertising	7,243	10,508	0	2,332	20,083	1,769	90,576	92,345	42,110	154,538
Supplies	10,559	77,786	2,879	4,240	95,464	19,234	740	19,974	2,880	118,318
Professional fees	0	0	0	7,912	7,912	70,911	0	70,911	28,195	107,018
Travel	2,627	2,174	81	3,646	8,528	52,070	3,869	55,939	23,046	87,513
Repairs and maintenance	3,511	42,852	2,492	979	49,834	18,388	477	18,865	1,603	70,302
Dues and subscriptions	0	35	175	13,242	13,452	39,386	7,012	46,398	6,435	66,285
Printing	5,673	2,319	509	106	8,607	22,755	3,954	26,709	27,262	62,578
Technology	1,546	0	0	4,785	6,331	29,714	674	30,388	11,270	47,989
Insurance	6,316	6,840	1,609	3,751	18,516	15,093	1,827	16,920	5,702	41,138
Auto expense	9,471	7,540	4,517	0	21,528	2,525	0	2,525	1,132	25,185
Events	0	43	0	489	532	18,933	2,101	21,034	3,235	24,801
Postage	47	0	0	733	780	14,423	255	14,678	6,801	22,259
Training	0	0	0	77	77	17,837	1,250	19,087	1,783	20,947
Committee expense	1,583	1,988	392	1,901	5,864	2,313	481	2,794	1,489	10,147
Total expenses before depreciation and amortization	1,744,441	1,295,118	124,393	7,739,541	10,903,493	717,455	190,203	907,658	437,566	12,248,717
Depreciation and amortization	7,723	7,971	1,913	4,458	22,065	48,825	2,171	50,996	6,994	80,055
Total expenses	\$ 1,752,164	\$ 1,303,089	\$ 126,306	\$ 7,743,999	\$ 10,925,558	\$ 766,280	\$ 192,374	\$ 958,654	\$ 444,560	\$ 12,328,772
	14%	11%	1%	63%	89%	6%	1%	7%	4%	100%

The accompanying notes are an integral part of these financial statements

ST. VINCENT DE PAUL SOCIETY, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Cash flows from operating activities:	
Increase in net assets	\$ <u>698,098</u>
Adjustments to reconcile change in net assets	
to net cash provided by operating activities:	
Depreciation and amortization	80,055
Loss on disposal of property and equipment	22,075
Contribution of property and equipment -The Sullivan Center	(97,456)
Donation of cemetery lot	4,100
Gain on investments	(12,061)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(181,248)
Grants receivable	35,000
Inventory	(21,372)
Prepaid expenses	1,757
Other assets	(4,548)
Increase (decrease) in liabilities:	
Accounts payable	550
Accrued expenses	43,210
Deferred revenue	46,881
Other liabilities	(16,913)
Total adjustments	<u>(99,970)</u>
Net cash provided by operating activities	<u>598,128</u>
Cash flows from investing activities:	
Purchase of property and equipment	(97,243)
Purchase of investments	(123,495)
Net cash used in investing activities	<u>(220,738)</u>
Cash flows from financing activities:	
Principal payments on capital leases	(10,124)
Net cash used in financing activities	<u>(10,124)</u>
Net increase in cash and cash equivalents	367,266
Cash and cash equivalents - beginning of year	<u>1,445,786</u>
Cash and cash equivalents - end of year	<u>\$ 1,813,052</u>

(Continued on next page.)

The accompanying notes are an integral part of these financial statements



ST. VINCENT DE PAUL SOCIETY, INC.  
STATEMENT OF CASH FLOWS – CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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Supplemental Disclosures of Cash Flow Information:

Cash paid for interest	\$ <u>2,186</u>
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Non-cash investing and financing activities:

Fair market value of assets acquired - The Sullivan Center  
at October 9, 2012:

Cash	\$ 5,446
Grants receivable	26,361
Inventory	49,908
Equipment and computers	28,453
Leasehold improvements	69,003
Other assets	3,000
Accounts payable and accrued expenses	<u>(4,471)</u>
	\$ <u>177,700</u>

The accompanying notes are an integral part of these financial statements

ST. VINCENT DE PAUL SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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1. Nature of Organization and Significant Accounting Policies

Organization

The St. Vincent de Paul Society, Inc. (the “Society”) is a nonprofit organization that has been actively assisting people in metro Atlanta and north Georgia since 1903. The Society is part of an international organization of Catholic lay people. The Society’s mission is to respond and reach out to people in need, regardless of their race or religion. The Society strives to equip individuals experiencing a time of hardship with the materials, education and confidence needed to establish financial security and self-sufficiency. The Society serves individuals based on their circumstances through financial assistance, free food, free clothing, other merchandise, transportation assistance or a combination of these services. Over seventy volunteer groups, referred to as St. Vincent de Paul Conferences (the “Conferences”), provide assistance in various locations throughout North Georgia. The Society also operates ten thrift stores in the Atlanta area where clients may redeem vouchers for free clothing, furniture and household goods. The proceeds from stores are used to help families in need with financial assistance. The Council of the St. Vincent de Paul Society “the Council” is the administrative segment of the Society. The activities and account balances of the Council, conferences and thrift stores are included in these financial statements.

In October 2012, the Society assumed the assets and liabilities of The Sullivan Center, Inc., an Atlanta area nonprofit organization with a similar mission. The transaction is disclosed as a non cash activity in the accompanying statement of cash flows.

Basis of Accounting

The financial statements of the Society are presented on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities in conformity with accounting principles generally accepted in the United States of America (GAAP). Under this method of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which they are incurred.

Financial Statement Presentation

In accordance with GAAP, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, or permanently restricted, based on stipulations made by the donor.

Contributions

The Society records unconditional promises to give and contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions.

ST. VINCENT DE PAUL SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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1. Nature of Organization and Significant Accounting Policies – Continued

Contributions – Continued

The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All contributions and unconditional promises to give which do not have donor restrictions as to purpose or time are classified as unrestricted contributions and pledges receivable.

The Society records gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, as well as gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Society reports expirations of donor restrictions when the donated or purchased long-lived assets are placed in service.

Donated Services and Goods

In accordance with GAAP, all non-cash gifts (other than personal services) are recorded at their estimated fair value at date of receipt and donated services are recognized as contributions if the services (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would otherwise need to be purchased by the Society if not provided by donation.

During the fiscal year ended September 30, 2013, donations of specialized services were received and recorded. Also, the Society received donations of vehicles, clothing and food for both sale and free distribution to clients. During the fiscal year ended September 30, 2013, in-kind donations were made for the Evening for Hope event totaling approximately \$25,000, which is included in fundraising event revenue in the statement of activities.

ST. VINCENT DE PAUL SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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1. Nature of Organization and Significant Accounting Policies – Continued

Donated Services and Goods – Continued

Donated services and goods consist of the following for the year ending September 30, 2013:

Clothing and food	\$ 1,961,303
Other in-kind - conferences	64,301
Vehicles	63,483
Furniture	31,837
Specialized services	<u>7,912</u>
	<u>\$ 2,128,836</u>

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. The Society's policy is to allocate indirect administrative expenses incurred to programs and supporting services based on management estimates of effort and expense used to support these activities. Management believes that these estimates and resulting allocations fairly represent the costs and efforts expended on these activities.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax Exempt Status

The Society is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code, and classified by the Internal Revenue Service as an organization other than a private foundation. In the opinion of management, the Society continues to operate as a tax exempt organization and, accordingly, no provisions for federal and state income taxes have been recorded in the accompanying financial statements. Income from certain activities not directly related to the Society's tax-exempt purpose is subject to taxation as unrelated business income. For the year ended September 30, 2013, the Society did not have any unrelated business income, and accordingly, no unrelated business income tax. Management believes that it has appropriate support for any tax positions taken, and as such does not have any uncertain tax positions (based on a more "likely-than-not" standard for substantiation) that are material to the financial statements. The Society's income tax returns are subject to examination by the appropriate regulatory authorities, and as of September 30, 2013, the Society's federal tax returns remain open to examination for the last three years.

ST. VINCENT DE PAUL SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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1. Nature of Organization and Significant Accounting Policies – Continued

Cash and Cash Equivalents and Concentration of Credit Risk

Cash includes demand accounts at a bank and at the Catholic Archdiocese of Atlanta. For purposes of the statement of cash flows, the Society considers all short-term, interest-bearing deposits with original maturities of three months or less to be cash equivalents. Included in cash and cash equivalents are investments in a common fund account held by the Catholic Archdiocese of Atlanta.

The balance in the Society's bank accounts, as reflected in the banks' records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At September 30, 2013, the funds in the bank accounts did not exceed this balance. The balance in the demand account at the Catholic Archdiocese of Atlanta at September 30, 2013 of \$610,936 is not insured by the FDIC.

Accounts Receivable

Accounts receivable consist primarily of annual collection receivables less an allowance for doubtful accounts when applicable. Management's determination of the allowance for doubtful accounts is based on an evaluation of the accounts, past experience, current economic conditions, and other risks inherent in receivables. Management believes that all accounts receivable are fully collectible at September 30, 2013.

Inventory

Inventory consists of donated Thrift Store merchandise and various other supplies. The Society records inventory for donated goods at estimated fair value, which is determined based on its future economic benefit.

Cemetery Lots and Mausoleum Spaces

Cemetery lots and mausoleum spaces are donated to the Society and are recorded at fair value at the date of donation. During the fiscal year ended September 30, 2013, there were no lots donated to the Society and cemetery lots totaling \$4,100 were donated to others as direct client aid.

Property and Equipment

It is the policy of the Society to capitalize property and equipment in excess of \$1,000. Purchased furniture, fixtures, equipment and vehicles are recorded at cost. Donated furniture, fixtures, equipment, and vehicles are carried at approximate fair value at the date of donation. Depreciation is computed over the assets estimated useful lives, ranging from 3 to 10 years, using the straight-line method. Leasehold improvements are amortized over the estimated useful life of the improvement or the life of the lease, whichever is shorter.

ST. VINCENT DE PAUL SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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1. Nature of Organization and Significant Accounting Policies – Continued

Deferred Revenue

Deferred revenue results from the Society recognizing special event revenue in the period in which the related event occurred. Accordingly, the event fees received for a fundraiser to be held the next fiscal year are deferred until the event date.

Advertising Costs

Advertising costs are expensed as incurred.

2. Investments

General

The Society classifies its investment assets using a hierarchy of inputs to fair value measurements in accordance with professional standards, as follows:

*Level 1* – Quoted prices in active markets for identical assets or liabilities that the Society has the ability to access.

*Level 2* – Inputs to the valuation methodology that are derived principally from or corroborated by observable market data:

- 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 assets or liabilities;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

*Level 3* – Inputs that are unobservable and significant to the overall 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.

ST. VINCENT DE PAUL SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

2. Investments – Continued

General – Continued

The fair market value of investments is summarized below at September 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity funds - domestic	\$ 30,631	\$ 51,363	\$ 0	\$ 81,994
Debt funds - domestic and international	49,128	0	0	49,128
Equity funds - international	12,643	0	0	12,643
Short-term investment funds	0	1,637	0	1,637
Charitable gift endowment annuities	<u>0</u>	<u>0</u>	<u>336</u>	<u>336</u>
	<u>\$ 92,402</u>	<u>\$ 53,000</u>	<u>\$ 336</u>	<u>\$ 145,738</u>

The Society's investments are maintained within the St. Vincent de Paul Atlanta Endowment Fund (the Fund), which was established during March 2012 to allow various Roman Catholic diocesan parishes, schools, agencies, entities or programs in the Archdiocese of Atlanta to establish permanent endowments for their future long-term needs and other designated purposes. Investment returns consist of the following for the year ended September 30, 2013:

Unrealized gain on investments	\$ 9,695
Dividends, interest, and reinvested capital gains	<u>2,366</u>
Investment return	<u>\$ 12,061</u>

The changes in investments classified as Level 3 are as follows for the year ended September 30, 2013:

Beginning balance on October 1, 2012	\$ 13
New contracts issued	231
Payments made to annuitants	(35)
Change in value of charitable annuities	<u>127</u>
Ending balance on September 30, 2013	<u>\$ 336</u>

ST. VINCENT DE PAUL SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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3. Property and Equipment, Net

Property and equipment are summarized as follows at September 30, 2013:

Equipment	\$	221,308
Leasehold improvements		154,566
Vehicles		128,210
Computer equipment		109,474
Equipment under capital lease		66,560
Security system		14,016
Furniture and fixtures		6,427
		700,561
Less accumulated depreciation		(457,171)
Less accumulated amortization on capital lease		(31,942)
	\$	211,448

Depreciation and amortization expense for the year ended September 30, 2013 totaled \$80,055.

4. Capital Lease Obligation

The Society leases a truck under a capital lease agreement which matures in February 2017. The interest rate on the capital lease averaged 5.4% for the year ended September 30, 2013. Total interest expense for fiscal 2013 was \$2,186.

Minimum contractual future capital lease payments are follows:

<u>For the year ending September 30:</u>		
2014	\$	11,294
2015		11,294
2016		11,294
2017		4,705
Total minimum lease payments		38,587
Less amount representing interest		(3,443)
	\$	35,144



ST. VINCENT DE PAUL SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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5. Major Sources of Support and Revenue

The Society has three main sources of support and revenue which are as follows: Thrift Store sales, government grants for the Emergency Food and Shelter Program (EFSP), and contributions from individuals, foundations and corporations. For the year ended September 30, 2013, the amounts derived from these sources represented approximately 97% of the Society's total support and revenue.

6. Board Designated Net Assets

Board designated net assets consist of the following at September 30, 2013:

Operating Reserves	\$	200,000
Endowed net assets		<u>135,738</u>
	\$	<u><u>335,738</u></u>

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of funds the Society has received subject to donor-imposed restrictions consisting of the following at September 30, 2013:

Direct assistance	\$	142,198
Property and equipment		38,730
Job training		<u>10,000</u>
	\$	<u><u>190,928</u></u>

8. Net Assets Released from Restrictions

The following net assets were released from donor restrictions by incurring expenditures satisfying the restricted purpose or by occurrence of other events specified by donors for the year ended September 30, 2013:

Purpose restriction accomplished:		
Direct assistance	\$	201,219
Property and equipment		47,589
Support Center		10,000
Job training		<u>2,770</u>
	\$	<u><u>261,578</u></u>

ST. VINCENT DE PAUL SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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9. Endowed Net Assets

The Society's endowment fund consists of funds designated by the Society's board of directors as well as donations permanently restricted by donors. As described in Note 2 these funds are maintained with the St. Vincent de Paul Atlanta Endowment Fund (the "Fund").

The Society follows the requirements of Georgia's Uniform Management of Institutional Funds Act (the "Act"). Upon receipt of gifts and bequests, the Society evaluates the gift instrument and related information to determine the directions and intentions of the donor. The Society classifies gifts that are not immediately expendable as either temporarily or permanently restricted, depending on the restrictions that the donor has imposed. Consistent with the Act, in the absence of explicit directions by the donor, the Society classifies the initial recorded value of gifts that are not immediately expendable as permanently restricted.

Investment Policy

The Society established an investment policy for the purpose of providing general guidelines for the prudent investment of its endowment assets. The objective of the investment policy is to defray annual spending and permit some growth of the assets as well as to maximize returns within reasonable and prudent levels of risk in order to minimize chances for loss of capital. The desired investment objective for the investments is to achieve a long term rate of return of 5% over the prevailing rate of inflation, with a target rate of approximately 8% per year.

Spending Policy

Contributions to the Fund can be made by the Society or by donors, provided that the contributions are in a form acceptable under the Fund's Acceptance Policy. Once an aggregate of \$50,000 in cash or other assets has been contributed, the Society may begin making distributions from the Fund. The endowment may only be used to support the operations, ministries, and capital needs of the Society of St. Vincent de Paul, Atlanta, Georgia. Unless otherwise changed by the Board of Directors, the amount of the endowment distribution used for operations may not exceed 20% of the operating budget. Usage of the endowment distributed funds requires an approval of the board of directors as part of each year's budget process or by special vote. There were no distributions made from the fund during the year ended September 30, 2013.

From time to time, the fair value of invested assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Society to retain as a fund of perpetual duration. There were no such deficiencies as of September 30, 2013.

ST. VINCENT DE PAUL SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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9. Endowed Net Assets – Continued

Spending Policy – Continued

Changes in the Society’s endowment for the year ended September 30, 2013 are as follows:

	Board Designated/ Unrestricted	Permanently Restricted	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Beginning Balance	\$ 182	\$ 10,000	\$ 10,182
Contributions	123,495	0	123,495
Interest and dividends	2,367	0	2,367
Investment gains			
Realized	2,483	0	2,483
Unrealized	8,362	0	8,362
Management fees	<u>(1,151)</u>	<u>0</u>	<u>(1,151)</u>
Ending Balance	<u>\$ 135,738</u>	<u>\$ 10,000</u>	<u>\$ 145,738</u>

10. Retirement Plan

The Society offers a retirement plan operated under section 401(k) of the Internal Revenue Code. Employees are eligible for participation on the first day of the month following their hire date. There are no minimum service or age requirements for participation. In addition, employees can voluntarily contribute up to the maximum allowed by law to the retirement plan. Employees vest from date of hire. For the fiscal year ended September 30, 2013, the Society contributed 3% of each eligible employee’s salary and matched 100% of employee contributions up to 6%. The Society’s retirement plan expense for the year ended September 30, 2013 totaled \$59,360.

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11. Lease Commitments

The Society leases office space, thrift store space and equipment under non cancelable operating leases. The future minimum payments under operating leases are as follows:

For the year ending September 30:

2014	\$	616,010
2015		454,614
2016		361,069
2017		255,802
2018		<u>92,958</u>
	\$	<u><u>1,780,453</u></u>

Rent expense for the year ended September 30, 2013 was \$714,031.

12. Commitments and Contingencies

Certain grants and contracts often require the fulfillment of certain conditions as set forth in the instrument or agreement. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, management of the Society deems the contingency unlikely. The grants and contracts are subject to audit by the grantor, or in the case of federal funds, the Federal government. They have the authority to determine liabilities or limit or suspend participation in the various sponsored programs.

The Society has elected the reimbursable method of financing unemployment claims in which the Society reimburses the Georgia Department of Labor for benefits paid to its former employees. There were no outstanding claims as of September 30, 2013.

The Society is subject to legal actions arising in the ordinary course of business. In management's opinion, the Society has adequate legal defense and insurance with respect to such actions and their final outcome would not materially affect the Society's operations or financial position.

13. Subsequent Events

Management has evaluated events and transactions which occurred through May 7, 2014, which was the date the financial statements were available to be issued. There were no significant subsequent events requiring recognition or disclosure in the financial statements.