

MARILLAC SOCIAL CENTER
FINANCIAL AND COMPLIANCE AUDIT
JUNE 30, 2010

MARILLAC SOCIAL CENTER

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION

JUNE 30, 2010 AND 2009

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REPORT OF INDEPENDENT AUDITORS

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS ADVISORS

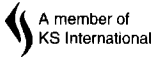
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To the Board of Directors of
Marillac Social Center

We have audited the accompanying statements of financial position of Marillac Social Center (an Illinois Not-for-Profit Corporation) (the Center) as of June 30, 2010 and 2009, and the related statements of activities, of functional expenses and of cash flows for the years then ended. These financial statements are the responsibility of the Center'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 an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Center's 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 Center as of June 30, 2010 and 2009 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 November 4, 2010 on our consideration of the Center'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 for assessing the results of our audits.

The accompanying schedule of expenditures of federal awards on page 25 is 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 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.

Calibre CPA Group PCC

Chicago, Illinois
November 4, 2010



**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**

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS ADVISORS

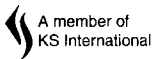
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To the Board of Directors of
Marillac Social Center

We have audited the financial statements of Marillac Social Center (an Illinois Not-for-Profit Corporation) (the Center) as of and for the year ended June 30, 2010 and have issued our report thereon dated November 4, 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 Center'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 Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center'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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Center'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 may 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 Center'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 management, Board of Directors and others within the entity, 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.

Cature CPA Group PC

Chicago, Illinois
November 4, 2010



CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS ADVISORS

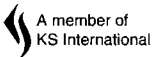
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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH *OMB CIRCULAR A-133***

To the Board of Directors of
Marillac Social Center

Compliance

We have audited the compliance of Marillac Social Center (an Illinois Not-for-Profit Corporation) (the Center) with 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 Center's major federal programs for the year ended June 30, 2010. The Center's major federal programs are identified in the summary of auditors' results section of the accompanying summary 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 Center's management. Our responsibility is to express an opinion on the Center'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 Center'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 Center's compliance with those requirements.

In our opinion, the Center 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 year ended June 30, 2010.

Internal Control Over Compliance

The management of the Center 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 Center'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 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 Center'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 timely basis.

Our consideration of internal control over compliance was for the limited purposed 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 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 management, Board of Directors, others within the entity, 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.

Calibre CPA Group PUC

Chicago, Illinois
November 4, 2010

MARILLAC SOCIAL CENTER
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash on hand and in banks	\$ 321,657	\$ 95,543
Grants receivable	242,232	202,353
Due from related organizations - net	-	85,517
Other receivables	2,897	457
Prepaid expenses	<u>3,619</u>	<u>5,636</u>
Total current assets	570,405	389,506
PROPERTY AND EQUIPMENT - NET	172,133	230,709
PREPAID PENSION BENEFIT OBLIGATION	20,058	-
INVESTMENTS	<u>86,775</u>	<u>84,728</u>
Total assets	<u>\$ 849,371</u>	<u>\$ 704,943</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 302,687	\$ 519,678
Other liabilities	44,188	-
Due to related organizations - net	83,784	-
Pension benefit obligation	<u>-</u>	<u>533,704</u>
Total liabilities	<u>430,659</u>	<u>1,053,382</u>
NET ASSETS		
Unrestricted	348,993	(584,276)
Temporarily restricted	<u>69,719</u>	<u>235,837</u>
Total net assets	<u>418,712</u>	<u>(348,439)</u>
Total liabilities and net assets	<u>\$ 849,371</u>	<u>\$ 704,943</u>

See accompanying notes to financial statements.

MARILLAC SOCIAL CENTER
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2010 AND 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE						
Public support						
Contributions						
Daughters of Charity/Mission and Ministry	\$ -	\$ 443,027	\$ 443,027	\$ -	\$ 952,536	\$ 952,536
In-kind donations	1,800,491	-	1,800,491	1,854,146	-	1,854,146
Contributions	198,427	353,787	552,214	201,165	229,132	430,297
Bequest	69,330	-	69,330	38,382	33,443	71,825
Other	40,306	-	40,306	48,283	-	48,283
Special Events	71,635	-	71,635	132,215	-	132,215
Less costs of direct benefit to donors - special events	(69,686)	-	(69,686)	(65,142)	-	(65,142)
Net assets released from purpose or time restrictions	962,932	(962,932)	-	979,274	(979,274)	-
Total public support	3,073,435	(166,118)	2,907,317	3,188,323	235,837	3,424,160
Revenue						
Grants from governmental agencies	2,379,749	-	2,379,749	2,170,559	-	2,170,559
Program service fees	209,311	-	209,311	262,494	-	262,494
Investment income	2,047	-	2,047	643	-	643
Space use fees/rental income	206,531	-	206,531	-	-	-
Thrift store sales	7,484	-	7,484	114,237	-	114,237
Miscellaneous	4,576	-	4,576	37	-	37
Total revenue	2,809,698	-	2,809,698	2,547,970	-	2,547,970
Total public support and revenue	5,883,133	(166,118)	5,717,015	5,736,293	235,837	5,972,130
EXPENSES						
Program services	5,040,482	-	5,040,482	5,778,413	-	5,778,413
Management and general	261,108	-	261,108	277,411	-	277,411
Fundraising	202,036	-	202,036	245,987	-	245,987
Total expenses	5,503,626	-	5,503,626	6,301,811	-	6,301,811
CHANGE IN NET ASSETS BEFORE PENSION ADJUSTMENTS	379,507	(166,118)	213,389	(565,518)	235,837	(329,681)
PENSION - RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST - GAIN (LOSS)	553,762	-	553,762	(748,658)	-	(748,658)
CHANGE IN NET ASSETS	933,269	(166,118)	767,151	(1,314,176)	235,837	(1,078,339)
NET ASSETS (DEFICIT)						
Beginning of year	(584,276)	235,837	(348,439)	729,900	-	729,900
End of year	\$ 348,993	\$ 69,719	\$ 418,712	\$ (584,276)	\$ 235,837	\$ (348,439)

See accompanying notes to financial statements.

MARILLAC SOCIAL CENTER
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2010 AND 2009

	2010				2009			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES								
Salaries	\$ 1,912,628	\$ 151,488	\$ 120,746	\$ 2,184,862	\$ 2,440,114	\$ 152,259	\$ 97,997	\$ 2,690,370
Employee benefits	269,678	11,808	11,874	293,360	347,208	17,447	5,835	370,490
Payroll taxes	183,755	12,906	8,720	205,381	192,561	10,290	4,673	207,524
Total salaries, wages and related expenses	2,366,061	176,202	141,340	2,683,603	2,979,883	179,996	108,505	3,268,384
All other supplies and postage	28,015	1,539	9,354	38,908	13,474	948	22,118	36,540
Conferences, conventions and meetings	1,775	14,657	1,031	17,463	1,896	345	534	2,775
Equipment rental and maintenance	18,284	1,348	3,313	22,945	15,454	1,050	1,599	18,103
Food supplies	163,976	-	-	163,976	164,274	10	7	164,291
Individual assistance	26,579	-	-	26,579	21,088	-	-	21,088
In-kind assistance	491	-	-	491	54,146	-	-	54,146
In-kind rent	1,742,400	46,800	10,800	1,800,000	1,742,400	46,800	10,800	1,800,000
Local transportation	12,116	416	857	13,389	19,455	633	2,851	22,939
Miscellaneous	12,367	784	469	13,620	8,110	100	894	9,104
Occupancy, other than depreciation	395,747	10,751	3,617	410,115	394,268	10,638	3,359	408,265
Printing, artwork, etc.	-	289	3,102	3,391	-	-	6,990	6,990
Professional fees and contract services payment	97,218	5,195	26,103	128,516	86,675	33,658	86,559	206,892
Program fees	105,775	-	-	105,775	210,096	2	-	210,098
Telephone	14,665	762	853	16,280	12,403	870	441	13,714
Total expenses excluding depreciation	4,985,469	258,743	200,839	5,445,051	5,723,622	275,050	244,657	6,243,329
Depreciation	55,013	2,365	1,197	58,575	54,791	2,361	1,330	58,482
Total expenses	<u>\$ 5,040,482</u>	<u>\$ 261,108</u>	<u>\$ 202,036</u>	<u>\$ 5,503,626</u>	<u>\$ 5,778,413</u>	<u>\$ 277,411</u>	<u>\$ 245,987</u>	<u>\$ 6,301,811</u>

See accompanying notes to financial statements.

MARILLAC SOCIAL CENTER

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 767,151	\$ (1,078,339)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Unrealized gain on investments	(2,047)	(521)
Depreciation and amortization of property and equipment	58,575	58,482
(Increase) decrease in assets		
Accounts receivable	43,199	(241,402)
Prepaid expenses	2,017	(1,449)
Prepaid pension benefit obligation	(20,058)	-
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(216,991)	326,691
Other liabilities	44,188	-
Due to related organizations - net	83,784	-
Pension benefit obligation	<u>(533,704)</u>	<u>748,658</u>
Net cash provided by (used in) operating activities	226,114	(187,880)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>-</u>	<u>(934)</u>
NET INCREASE (DECREASE) IN CASH	226,114	(188,814)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>95,543</u>	<u>284,353</u>
End of year	<u>\$ 321,657</u>	<u>\$ 95,543</u>

See accompanying notes to financial statements.

MARILLAC SOCIAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 1. ORGANIZATION AND PURPOSE

Marillac Social Center (Center) is a not-for-profit multiservice social service agency incorporated in the State of Illinois serving the Chicagoland area and operated by the Daughters of Charity of St. Vincent de Paul of Indiana, Inc (Corporate Members). The purpose of the Center is to enable working poor and their children to strengthen and preserve family life.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Center's financial statements are prepared on the accrual basis of accounting.

Basis of Presentation - The Center is required to report information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The three classes of net assets can be defined as follows:

Unrestricted - Unrestricted net assets are available to finance the general operations of the Center. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Center, the environment in which it operates and the purposes specified in its articles of incorporation. Voluntary resolutions by the Board of Directors or the Corporate Members' to designate a portion of the Center's unrestricted net assets for specified purposes do not result in restricted funds. Since designations are voluntary and may be reversed by the Board of Directors or the Corporate Members' at any time, designated net assets are included under the caption "unrestricted net assets." Board designated assets include assets for future special projects over which the Board retains control and may at its discretion subsequently use for other purposes.

Temporarily Restricted - Temporarily restricted net assets result (a) from contributions and other inflows of assets, the use of which by the Center is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by action of the Center pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time or their fulfillment and removal by actions of the Center pursuant to those stipulations.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The temporarily restricted net assets are restricted for specific administrative and program related activities of the organization.

Permanently Restricted - Permanently restricted net assets (generally referred to as endowment funds) are assets that have donor-imposed restrictions that stipulate that the contributed resources be maintained permanently, but permit the organization to use up or expend part or all of the income or other economic benefits derived from the donated assets.

The Center had no permanently restricted net assets at June 30, 2010 and 2009.

Unrestricted and Restricted Revenue and Support - Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a 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.

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions.

Noncash Donations - The Center records noncash donations at fair value at the date of receipt.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Property and Equipment - Property and equipment are stated at cost or if donated, at the estimated fair market value at date of donation. Amortization of leasehold improvements is provided over the estimated life of the assets using the straight-line method, ranging from three to ten years. Depreciation of the furniture, equipment and vehicles is provided over the estimated useful life of the assets using the straight-line method, ranging from three to ten years. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets, are expensed currently.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments - Investments consist of shares in an investment pool managed by Ascension Health, a related entity.

Investments are reported at fair value in the accompanying statement of net assets available for benefits and represent ownership in private investment entities. The fair value process of the Center's investments in the investment pool utilizes the valuation that the Center receives from Ascension Health as of the date of the statement of net assets available for benefits of the Center.

The Center's pooled investment in Fund P does not trade on a national securities exchange or over-the-counter market. The fair value determined by using net asset value per share or its equivalent ("NAV") may differ from the value that would have been used had an active market (such as an exchange with trades securities where current trade and price quotes are available) for these investments existed or from the value that could be received in a principal to principal transaction and the differences could be material to the financial statements.

In accordance with the redemption and liquidity terms of the governing agreements of the Center's investment pools, a divestment of the Center's ownership interest in the investment pool is transacted at the applicable reported NAV of the investment pool.

Cash and Cash Equivalents - Cash includes monies held in checking accounts and highly liquid, interest-bearing accounts without significant withdrawal restrictions.

Subsequent Events - Subsequent events have been evaluated through November 4, 2010, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Reclassifications - Certain amounts have been reclassified to conform to the current year presentation.

NOTE 3. TAX STATUS

The Center is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from federal income taxes. In addition, the Internal Revenue Service has determined that the Center is not a private foundation within the meaning of Section 509(a) of the Code.

NOTE 4. DONATED FACILITIES AND SERVICES

The Center has a license arrangement for \$120,000 a year, from the Daughters of Charity of St. Vincent DePaul of Indiana, Inc. for the use of the building and the land on which the building resides. The license arrangement has been waived the by the Daughters of Charity of St. Vincent DePaul of Indiana, Inc. for the years ended June 30, 2010 and 2009.

Generally accepted accounting principles require an organization to recognize as revenue the fair value of donated services and facilities and the corresponding expenses. The amount recognized as rent for the building and land is \$1,800,000 for both years ended June 30, 2010 and 2009.

No amounts have been reflected in the financial statements for donated services. Many individuals volunteer their time and perform a variety of tasks that assist the Center with specific assistance programs, campaign solicitations and various committee assignments. The Center pays for most services requiring specific expertise.

NOTE 5. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash and trade receivables. The Center places its temporary cash investments with financial institutions deemed to be creditworthy. The Center maintains its cash at one financial institution. Balances are temporarily insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 through December 31, 2013.

NOTE 6. PROPERTY AND EQUIPMENT

The components of property and equipment at June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ 289,297	\$ 289,297
Furniture and equipment	512,705	512,705
Vehicles	<u>202,806</u>	<u>202,806</u>
Total	1,004,808	1,004,808
Less accumulated depreciation and amortization	<u>(832,675)</u>	<u>(774,099)</u>
Property and equipment - net	<u>\$ 172,133</u>	<u>\$ 230,709</u>

NOTE 7. RELATED PARTIES

The Center is involved with seven related parties which include the Daughters of Charity of St. Vincent DePaul of Indiana, Inc., Mission and Ministry Inc., St. Vincent DePaul Center (SVDC), Daughters of Charity Ministries of Chicago (DCMC), Ascension Health, a pension plan and an investment pool. The financial activities of these organizations are not included in the accompanying financial statements.

Various grants, contributions and bequests for the Center are initially received by DCMC and are subsequently forwarded to the Center. Common administrative expenses for the Center, DCMC, and SVDC are paid for by one of these Organizations and then are charged back to the other applicable Organizations monthly, determined by usage. Based on this activity, the Center owed SVDC \$84,995 and \$70,716 as of June 30, 2010 and 2009. DCMC owed the Center \$1,211 as of June 30, 2010 while the Center owed DCMC \$156,233 at June 30, 2009.

NOTE 8. PENSION PLAN

The Center participates in a noncontributory multiple employer defined benefit pension plan sponsored by Ascension Health Group, a related entity. The plan covers all employees working 1,000 hours or more per year. The normal retirement benefit of the plan is a monthly retirement benefit, which is computed based on years of service and a percentage of highest (five year) average compensation. Contributions to the plan are determined as amounts necessary to provide for benefits attributed to service to date and those expected to be earned in the future

Under generally accepted accounting principles, the Center is required to recognize the over funded or under funded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position. The measurement date provisions were adopted as of June 30, 2009. As a result, the increase to the benefit obligation and deferred pension cost for the effect of moving the measurement date from March 31 to June 30 was \$18,695.

NOTE 8. PENSION PLAN (CONTINUED)

	<u>2010</u>	<u>2009</u>
<u>Change in Benefit Obligation</u>		
Benefit obligation at beginning of year	\$ 2,820,118	\$ 2,410,882
Effect of change in measurement date	-	18,695
Interest cost	133,673	137,237
Benefits paid	(376,854)	(73,129)
Assumption changes	237,744	61,872
Actuarial loss (gain)	<u>(374,740)</u>	<u>264,561</u>
Benefit obligation at end of year	2,439,941	2,820,118
Allocation adjustment*	<u>(401,403)</u>	<u>(246,101)</u>
Accumulated benefit obligation at end of year	<u>2,038,538</u>	<u>2,574,017</u>
<u>Change in Plan Assets</u>		
Balance at beginning of year	2,040,313	2,151,316
Effect of eliminating early measurement date	-	21,276
Actual return on assets	382,939	(70,980)
Employer contributions	12,195	11,830
Benefits paid	<u>(376,851)</u>	<u>(73,129)</u>
Balance at end of year	<u>2,058,596</u>	<u>2,040,313</u>
Long-term pension benefit (liability)asset	<u>\$ 20,058</u>	<u>\$ (533,704)</u>

* For Ascension Health Pension Plans participating institutions that are not controlled group members, the expense is set equal to funding.

Amounts include in unrestricted net assets at June 30, 2010 and 2009, consist of the following:

	<u>2010</u>	<u>2009</u>
Unrecognized net actuarial loss	\$ 666,460	\$ 1,100,995
Unrecognized prior service credit	(288,070)	(324,147)
Allocation adjustment	<u>(401,403)</u>	<u>(246,101)</u>
Total	<u>\$ (23,013)</u>	<u>\$ 530,747</u>

NOTE 8. PENSION PLAN (CONTINUED)

Changes in plan assets and benefit obligations recognized in unrestricted net assets during the year ended June 30, 2010 and 2009 includes:

	<u>2010</u>	<u>2009</u>
Current year actuarial loss (gain)	\$ (140,163)	\$ 1,006,588
Amortization of actuarial loss	(112,222)	(150,477)
Amortization of prior service credit	35,988	35,815
Elimination of early measurement date - actuarial loss	-	(37,619)
Elimination of early measurement date - prior service credit	-	8,954
Current year allocation adjustment*	(401,403)	(246,101)
Amortization allocation adjustment*	<u>64,039</u>	<u>128,540</u>
Total	<u>\$ (553,761)</u>	<u>\$ 745,700</u>

* For Ascension Health Pension Plans participating institutions that are not controlled group members, the expense is set equal to funding.

	Year Ended June 30,	
	<u>2010</u>	<u>2009</u>
Components of net periodic benefit cost		
Interest cost	\$ 133,674	\$ 137,237
Expected return on plan assets	(149,150)	(128,561)
Amortization of prior service credit	(35,988)	(35,815)
Amortization of actuarial loss	112,222	150,477
Other adjustments	<u>(48,562)</u>	<u>(111,509)</u>
Net periodic benefit cost	<u>\$ 12,196</u>	<u>\$ 11,829</u>

The prior service credit, actuarial loss and allocation adjustment included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ended June 30, 2011 is as follows:

Actuarial loss	\$ 124,000
Prior service credit	(36,000)
Allocation adjustment	<u>(72,000)</u>
Total	<u>\$ 16,000</u>

NOTE 8. PENSION PLAN (CONTINUED)

The Ascension Health Pension Plans' asset allocation and investment strategies are designed to earn superior returns on plan assets consistent with a reasonable and prudent level of risk. Investments are diversified across classes, sectors, and manager style to minimize the risk of large losses. Derivatives may be used to bridge specific exposure, reduce transaction costs, or modify the portfolio's duration or yield. The plan uses investment managers specializing in each asset category and, where appropriate, provides the investment manager with specific guidelines that include allowable and/or prohibited investment types. Ascension Health regularly monitors manager performance and compliance with investment guidelines.

The weighted-average asset allocation for the plan at June 30, 2010 and 2009 and the target allocation for fiscal year end June 30, 2011, by asset category is as follows:

Asset Category	Target	Percentage of Plan Assets	
	<u>Allocation</u>	<u>at Year-End</u>	
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Equity securities	40%	35%	37%
Fixed income	30%	38%	44%
Alternative investments	<u>30%</u>	<u>27%</u>	<u>19%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Key assumptions used in the actuarial computation for 2010 and 2009 included:

	<u>2010</u>	<u>2009</u>
Discount rate	5.50%	8.00%
Rate of compensation increase	4.00%	4.00%
Rate of return on plan assets	8.50%	8.50%

Employer contributions for the year ended June 30, 2011 are expected to be \$16,000.

The expected benefit payments are as follows:

Year ended June 30,	
2011	\$ 540,000
2012	610,000
2013	630,000
2014	680,000
2015	720,000
5 years thereafter	<u>4,340,000</u>
Total	<u>\$ 7,520,000</u>

NOTE 9. FAIR VALUE MEASUREMENTS

The accounting standards for value measurement establish a consistent definition of fair value and provide a fair value hierarchy based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Organization's market assumptions. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value.

The three levels of fair value hierarchy and its applicability to the Organization's portfolio investments, are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to the security.

Level 3 – Pricing inputs are unobservable for the asset or liability, that is, inputs that reflect the reporting entity's own assumption about the assumptions market participants would use in pricing the asset or liability.

NOTE 9. FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a summary of the inputs used as of June 30, 2010 and 2009, in valuing investments carried at fair value.

2010				
	Total Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-term fixed income pooled fund	\$ 86,055	\$ -	\$ -	\$ 86,055
Short-term	<u>720</u>	<u>-</u>	<u>720</u>	<u>-</u>
Total	<u>\$ 86,775</u>	<u>\$ -</u>	<u>\$ 720</u>	<u>\$ 86,055</u>

2009				
	Total Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-term fixed income pooled fund	\$ 84,016	\$ -	\$ -	\$ 84,016
Short-term	<u>712</u>	<u>-</u>	<u>-</u>	<u>712</u>
Total	<u>\$ 84,728</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,728</u>

The following table below sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended June 30, 2010 and 2009.

	2010	2009
Balance, beginning of year	\$ 84,728	\$ 84,207
Gains (losses)	-	-
Purchases, sales, issuances and and settlements (net)	2,039	521
Transfers in (out)	<u>(712)</u>	<u>-</u>
Balance, end of year	<u>\$ 86,055</u>	<u>\$ 84,728</u>

NOTE 10. INVESTMENT IN INVESTMENT ENTITIES

In September 2009 additional authoritative guidance on fair value measurements was issued. This guidance permits the Center to measure the fair value of an investment in an investment entity that does not have a readily determinable fair value based upon the net asset value per share or is equivalent (“NAV”) of the investment. This guidance does not apply if it is probable that the investment will be sold at a value different than NAV. The adoption of this guidance is reflected in these financial statements.

The Center’s investment in the investment entity is subject to the terms of the respective private placement memoranda and governing agreements. Income or loss from investments in the investment entity is net of the Center’s proportionate share of fees and expenses incurred or charged by the investment entity.

The Center’s risk of loss in these entities is limited to its investment. The Center may increase or decrease its level of investment in this entity at its discretion. The Center has the ability to redeem its investment from the short-term pool on demand. There is no fee associated with the redemptions. At June 30, 2010 and 2009, there were no unfunded commitments in the investment entity.

The Center’s investment in the investment entity is all in the short-term investment pool.

NOTE 11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2010 and 2009 are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Childcare program supplies	\$ -	\$ 2,500
Health and wellness programs	4,570	33,170
Family service aid	6,490	-
Operational expenses	-	170,167
Project Hope	58,659	30,000
	<u>\$ 69,719</u>	<u>\$ 235,837</u>

NOTE 12. SUBLICENSE AGREEMENT

The Center has entered into a sublicense agreement for space with another not-for-profit Organization beginning July 1, 2009. The agreement is for five years with two optional five year periods.

Future rental receipts under the sublicense agreement as of June 30, 2010 are as follows:

Years ending June 30,	
2011	\$ 273,079
2012	281,271
2013	289,709
2014	298,401
2015	<u>307,353</u>
Total	<u>\$ 1,449,813</u>

Total rental receipts for the year ended June 30, 2010 were \$193,132.

NOTE 13. UNCERTAINTIES

The Center has experienced losses in recent years' operations. Significant progress has been made towards its breakeven goal through a major restructuring which began in June 2009. In addition, the Center has secured a letter of support from the Daughters of Charity to work with the Center to cover operational shortfalls for the fiscal year ending June 30, 2011.

SINGLE AUDIT ACT SCHEDULES

MARILLAC SOCIAL CENTER

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2009

Summary of Auditor's Result Section

Financial Statements

Report issued on financial statements:

- | | | | |
|-------------------------------------|---------------------|--------------------------|-----------------------|
| <input checked="" type="checkbox"/> | Unqualified Opinion | <input type="checkbox"/> | Adverse Opinion |
| <input type="checkbox"/> | Qualified Opinion | <input type="checkbox"/> | Disclaimer of Opinion |

Significant deficiencies/material weaknesses in internal control over financial reporting:

- | | |
|-------------------------------------|---|
| <input checked="" type="checkbox"/> | No significant deficiencies or material weaknesses noted. |
| <input type="checkbox"/> | Significant deficiencies noted. |
| <input type="checkbox"/> | Material weaknesses noted. |

Noncompliance material to financial statements noted:

- | | |
|-------------------------------------|------|
| <input checked="" type="checkbox"/> | None |
| <input type="checkbox"/> | |

Federal Awards

Report issued on compliance with requirements applicable to major federal award programs and with the provisions of applicable laws, regulations, and the provisions of contracts or grants or grant agreements:

- | | | | |
|-------------------------------------|---------------------|--------------------------|-----------------------|
| <input checked="" type="checkbox"/> | Unqualified Opinion | <input type="checkbox"/> | Adverse Opinion |
| <input type="checkbox"/> | Qualified Opinion | <input type="checkbox"/> | Disclaimer of Opinion |

Significant deficiencies/material weaknesses in internal control over compliance with requirements applicable to major federal award programs:

- | | |
|-------------------------------------|---|
| <input checked="" type="checkbox"/> | No significant deficiencies or material weaknesses noted. |
| <input type="checkbox"/> | Significant deficiencies noted. |
| <input type="checkbox"/> | Material weaknesses noted. |

MARILLAC SOCIAL CENTER

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2009

The following findings required to be reported under OMB Circular A-133 are attached to this report:

None

A \$300,000 threshold was used to distinguish Type A programs.

The following program was considered major:

	<u>CFDA Number</u>
Child Care and Development Block Grant	93.596
State Fiscal Stabilization Fund	84.397A

The auditee was considered low risk.

Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with section five of *Government Auditing Standards*.

None noted.

Schedule of Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs related to the audit of major federal programs, as required to be reported by Section 510(a) of Circular A-133.

None noted.

Schedule of Prior Audit Findings

None noted.

MARILLAC SOCIAL CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2010

Federal Grantor Pass-Through Grantor Program Title	Grant Period	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Health and Human Services Pass-through: Illinois Department of Human Services Employment - Related Day Care - Child Care & Development Block Grant - Major Program (cash assistance)	7-1-09 to 6-30-10	93.596	81XL486000	\$ 1,246,000
U.S. Department of Education Pass-through: Chicago Public Schools State Fiscal Stabilization Fund (cash assistance)	7-1-09 to 6-30-10	84.397A		516,000
Pass-through: Illinois Department of Children and Family Services Specialized Day Care (cash assistance)	7-1-09 to 6-30-10	93.667	000558-402-5	66,535
U.S. Department of Agriculture Pass-through: Illinois State Board of Education Department of Child Nutrition Child and Adult Care Food Program Total federal awards	10-1-09 to 9-30-10	10.558	14-016-239P-00	<u>172,937</u> <u>\$ 2,001,472 *</u>

* Expenditures reported are federal portion only, programs also have state expenditures.

MARILLAC SOCIAL CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Marillac Social Center and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2. SUBRECIPIENTS

The total amount provided to subrecipients from each Federal Program was zero for the year end June 30, 2010.

NOTE 3. FEDERAL LOANS, FEDERAL LOAN GUARANTEES, AND FEDERAL INSURANCE

The total amount of federal loans, loan guarantees and insurance outstanding as of June 30, 2010 was zero.