

St. Vincent and Sarah Fisher Center

Financial Statements

For the Year Ended December 31, 2011

With Comparative Totals

For the Year Ended December 31, 2010

COLE, NEWTON & DURAN

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
St. Vincent and Sarah Fisher Center
Detroit, Michigan

We have audited the accompanying statement of financial position of St. Vincent and Sarah Fisher Center as of December 31, 2011, and the related statements of activities and changes in net assets and functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from St. Vincent & Sarah Fisher Center's 2010 financial statements and in our report dated June 2, 2011, we expressed an unqualified opinion on those financial statements.

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 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 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 St. Vincent and Sarah Fisher Center as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

COLE, NEWTON & DURAN

Cole, Newton & Duran

June 28, 2012

St. Vincent and Sarah Fisher Center

Statement of Financial Position

December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash	\$ 230,539	\$ 255,792
Interest receivable	7,229	-
Prepaid expenses and other	<u>55,416</u>	<u>53,033</u>
TOTAL CURRENT ASSETS	293,184	308,825
FURNITURE AND EQUIPMENT- net of accumulated depreciation	-	1,858
OTHER ASSETS		
Investments	<u>7,246,600</u>	<u>7,889,663</u>
TOTAL ASSETS	<u>\$ 7,539,784</u>	<u>\$ 8,200,346</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 4,620	\$ 4,706
Accrued expenses	54,571	48,628
Deferred revenue	<u>9,365</u>	<u>3,001</u>
TOTAL CURRENT LIABILITIES	<u>68,556</u>	<u>56,335</u>
NET ASSETS		
Unrestricted:		
Unrestricted for operations	\$ 5,455,940	
Board designated endowment	<u>1,941,489</u>	
Total Unrestricted	7,397,429	8,049,530
Temporarily restricted	<u>73,799</u>	<u>94,481</u>
TOTAL NET ASSETS	<u>7,471,228</u>	<u>8,144,011</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,539,784</u>	<u>\$ 8,200,346</u>

See Accompanying Notes to Financial Statements.

St. Vincent and Sarah Fisher Center

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011			2010
	Unrestricted	Temporarily Restricted	Total	Totals
SUPPORT AND REVENUE				
Contributions and bequests	\$ 128,533	\$ -	\$ 128,533	\$ 222,826
Loss on disposal of fixed assets	(1,708)	-	(1,708)	-
Subtotal	126,825	-	126,825	222,826
Net assets released from temporary restrictions	20,632	(20,632)	-	-
Total Support and Revenue	<u>147,457</u>	<u>(20,632)</u>	<u>126,825</u>	<u>222,826</u>
FUNCTIONAL EXPENSES				
Program	654,703	-	654,703	582,828
Management and general	74,273	-	74,273	44,586
Fund raising	18,429	-	18,429	7,313
Total Expenses	<u>747,405</u>	<u>-</u>	<u>747,405</u>	<u>634,727</u>
Change in net assets from operations	(599,948)	(20,632)	(620,580)	(411,901)
Investment income	(52,153)	(50)	(52,203)	464,180
INCREASE (DECREASE) IN NET ASSETS	(652,101)	(20,682)	(672,783)	52,279
NET ASSETS-BEGINNING OF YEAR	<u>8,049,530</u>	<u>94,481</u>	<u>8,144,011</u>	<u>8,091,732</u>
NET ASSETS-END OF YEAR	<u>\$ 7,397,429</u>	<u>\$ 73,799</u>	<u>\$ 7,471,228</u>	<u>\$8,144,011</u>

See Accompanying Notes to Financial Statements.

St. Vincent and Sarah Fisher Center

Statement of Functional Expenses

For the Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011				2010
	Programs	Management and General	Fund Raising	Total	Totals
Salaries	\$ 396,891	\$ 28,522	\$ -	\$ 425,413	\$ 349,007
Employee health and retirement benefits	65,490	3,997	-	69,487	61,984
Payroll taxes and workers' compensation	26,901	2,279	-	29,180	22,913
Total salaries and related expenses	489,282	34,798	-	524,080	433,904
Occupancy	65,804	7,312	-	73,116	73,052
Supplies	39,656	4,004	429	44,089	9,868
Professional fees	18,750	8,092	2,660	29,502	71,654
Local transportation	11,110	680	41	11,831	7,698
Telephone	3,988	564	-	4,552	4,070
Specific assistance to individuals	5,774	-	-	5,774	3,933
Subscriptions and publications	50	39	519	608	200
Conferences, conventions and meetings	254	624	574	1,452	-
Membership fees	121	311	391	823	365
Postage and shipping	773	7,867	5,992	14,632	3,385
Outside printing	1,780	7,132	7,503	16,415	4,122
Bonds and insurance	17,100	1,900	-	19,000	19,000
Miscellaneous	126	935	320	1,381	705
Total before depreciation	654,568	74,258	18,429	747,255	631,956
Depreciation	135	15	-	150	2,771
TOTAL EXPENSES	\$ 654,703	\$ 74,273	\$ 18,429	\$ 747,405	\$ 634,727

See Accompanying Notes to Financial Statements.

St. Vincent and Sarah Fisher Center

Statement of Cash Flows

For the Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (672,783)	\$ 52,279
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	150	2,771
Realized and unrealized (gains) losses on investments	139,947	(368,497)
Loss on disposal of fixed assets	1,707	-
Decrease (increase) in operating assets:		
Interest receivable	(7,229)	-
Prepaid expenses and other	(2,383)	615
(Decrease) increase in operating liabilities:		
Accounts payable	(86)	(19,022)
Accrued expenses	5,944	10,005
Deferred revenue	6,364	428
Total Adjustments	<u>144,414</u>	<u>(373,700)</u>
Net Cash Provided By (Used In) Operating Activities	<u>(528,369)</u>	<u>(321,421)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments designated to purchase buildings and equipment	-	69,150
Proceeds from sales of investments	2,652,942	-
Purchase of investments	(2,149,826)	-
Net purchases and sales of pooled investments	<u>-</u>	<u>129,826</u>
Net Cash Provided By (Used In) Investing Activities	<u>503,116</u>	<u>198,976</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25,253)	(122,445)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>255,792</u>	<u>378,237</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 230,539</u>	<u>\$ 255,792</u>
Supplemental Cash Flows Disclosures:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements.

St. Vincent and Sarah Fisher Center

Notes to Financial Statements

December 31, 2011 and 2010

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The St. Vincent and Sarah Fisher Center (the Center) is a nonprofit entity whose mission is to provide education and skill development opportunities for at risk children and families in the City of Detroit.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Financial statement presentation follows requirements of the Not-for-Profit Entities Topic of the Accounting Standards Codification. Net assets of the Center are classified as unrestricted, temporarily restricted, or permanently restricted. Contributions and income received by the Center are held in various funds which are classified as follows:

Unrestricted net assets consist of resources that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets consist of resources of which the use by the Center is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Center pursuant to those stipulations. As of December 31, 2011 and 2010, the Center had \$73,799 and \$94,481, respectively were temporarily restricted for educational enrichment supplies, activities for children or technology upgrades.

Permanently restricted net assets consist of beneficial interest in perpetual trusts and funds created by donors. Earnings on permanently restricted net assets are classified as temporarily restricted until appropriated for expenditure.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and demand deposits in banks, plus short-term investments that are readily convertible to cash as well as investments with original maturities of three months or less. However, short-term investments with maturities at the date of purchase of three months or less, which are subject to investment management direction, are treated as investments rather than cash.

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 at the date of the financial statements and the reported amounts of support and expenses during the period. Actual results could differ from those estimates.

Accounts Receivable

The Center currently provides all services free of charge. At December 31, 2011 and 2010, there were no accounts receivable.

St. Vincent and Sarah Fisher Center

Notes to Financial Statements

December 31, 2011 and 2010

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property is stated at fair market value and equipment at cost. All equipment expenditures are capitalized at cost and donated equipment is recorded at fair market value. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Property and equipment purchased with temporarily restricted funds are released from restriction as depreciation is recognized over the estimated useful lives of the assets. Expenditures for normal repairs and maintenance are charged to expense as incurred.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value that is determined based on quoted market prices. Investment income is reported below operating income based on the particular classification of the asset – unrestricted or temporarily restricted.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donations are recorded at fair value when received. Donor restricted balances are associated with resources contributed by donors, and the Center is obligated to use these funds for purposes designated by them.

In-kind donations of materials are recorded as both contributions and expenditures at fair value when received and aggregated during the years ended December 31, 2011 and 2010 were \$8,772 and \$4,825, respectively.

The Center, on occasion, is the beneficiary under various wills, the amounts of which cannot be estimated. The Center's share of such bequests is recorded when the proceeds are determinable.

NOTE B. LEASES

On October 1, 2009, the Center entered into a lease for its operating facilities in the City of Detroit. The lease expired September 30, 2011. Through the end of 2011, the lease was month-to-month. The amounts charged to occupancy under this lease during the years ended December 31, 2011 and 2010 were \$54,000 per year.

NOTE C. RETIREMENT PLAN

On January 1, 2001, the Center started a Safe Harbor 401(k) Pension Plan (the 401(k) plan), which covers substantially all employees. The Center matches one half of employee contributions to the 401(k) plan up to 5% of employee wages. The Center also contributes 3% of each participating employee's wages to the Plan. The total contributions charged to expense during the years ended December 31, 2011 and 2010 were \$13,932 and \$18,307, respectively.

The Center remits to the Daughters of Charity retirement payments on behalf of Sisters employed by the Center at a rate equivalent to the payment for lay employees. The costs for this plan during the years ended December 31, 2011 and 2010 were \$983 and \$1,054, respectively.

St. Vincent and Sarah Fisher Center

Notes to Financial Statements

December 31, 2011 and 2010

NOTE D. CONCENTRATIONS AND CREDIT RISK

The Federal Deposit Insurance Corporation (FDIC) insures up to \$250,000 in any one financial institution. There were no uninsured balances as of December 31, 2011 and 2010.

NOTE E. FURNITURE AND EQUIPMENT

The following is a summary of furniture and equipment as of December 31, 2010 and 2009:

	<u>2011</u>	<u>2010</u>
Furniture and office equipment	\$24,461	\$30,152
Automotive equipment	<u>43,605</u>	<u>43,605</u>
Total	68,066	73,757
Less accumulated depreciation	<u>68,066</u>	<u>71,899</u>
Net furniture and equipment	<u>\$ -0-</u>	<u>\$ 1,858</u>

NOTE F. FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the program and support services are reported in the statement of functional expenses. Indirect costs have been allocated between the various programs and supporting services based on estimates by management.

NOTE G. INVESTMENTS

Ascension Health, an organization sponsored in part by the Daughters of Charity, administered the investments that were held in an investment pool together with investments of non-healthcare affiliated Daughters of Charity organizations through March, 2010. The pooled assets were invested in money market instruments, commercial paper, domestic and international equity holdings, and bond funds and were stated at fair value. Ascension Health recorded interest income within the respective accounts on either a monthly or quarterly basis based upon the type of investment. In March, 2010, per board of trustee's resolution, all investments were moved to a brokerage account managed by an independent investment manager.

Investments, at fair value, consisted of the following for the years ended December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Cash and money market funds	\$ 795,848	\$ 904,490
Fixed income	1,506,456	1,566,630
Equities	<u>4,944,296</u>	<u>5,418,543</u>
Total	\$ <u>7,246,600</u>	\$ <u>7,889,663</u>

St. Vincent and Sarah Fisher Center

Notes to Financial Statements

December 31, 2011 and 2010

NOTE G. INVESTMENTS, continued

Total return on investments for 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 130,853	\$ 121,623
Realized gains (losses)	338,830	(21,683)
Unrealized gains (losses)	(478,777)	390,180
Management fees	<u>(43,109)</u>	<u>(25,940)</u>
Total	<u>\$ (52,203)</u>	<u>\$ 464,180</u>

Investment Risks – Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values in the near term could materially affect the amounts reported in the accompanying financial statements.

NOTE H. FAIR VALUE

The Center's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 Fair Value Measurement inputs consist of unadjusted quoted prices in active markets for identical, actual assets and have the highest priority. Management considers cash, cash equivalents, including Certificate of Deposits, and publically traded equities and US Treasury securities, corporate bonds and mutual funds to be Level 1 inputs.

Level 2 Fair Value Measurement inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include: quoted prices for similar assets or liabilities in active markets. Quoted prices for identical or similar assets or liabilities in markets that are quoted at prices that are not immediately current, or when price quotations vary substantially either over time or among market makers for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates.

Level 3 Fair Value Measurement inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

As of December 31, 2011 and 2010, management considers all investments of the Center (note G) to be Level 1 in the fair value hierarchy. During the year ended December 31, 2011, there were no transfers between levels.

St. Vincent and Sarah Fisher Center

Notes to Financial Statements

December 31, 2011 and 2010

NOTE I. TAX STATUS

The Center is a nonprofit corporation, exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Internal Revenue Service has classified the Center as an organization that is not a private foundation. The Center is no longer subject to U.S. federal tax examinations by tax authorities for years before 2008.

NOTE J. DONATED SERVICES

A substantial number of volunteers have donated significant amounts of time to the Center's program services and to its fund-raising campaigns. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under the Not for Profit Entities Topic of the FASB Accounting Standards Codification.

NOTE K. COMPARATIVE FINANCIAL STATEMENTS

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

NOTE L. EVENTS OCCURRING AFTER REPORTING DATE

The Center has evaluated events and transactions for potential recognition or disclosure through the date of the auditor's report, which is the date that the financial statements were available to be issued.

NOTE M. RESTATEMENT OF BEGINNING NET ASSETS - 2010

During the year ended December 31, 2010, it was determined through management review and the advice of legal counsel, that the balances in permanently restricted funds were not donor-restricted, but were instead a board designated endowment and the funds should be classified as unrestricted. Net assets have been restated as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
As originally reported	\$6,040,774	\$ 109,469	\$1,941,489	\$8,091,732
Reclassifications	<u>1,941,489</u>	<u>-0-</u>	<u>(1,941,489)</u>	<u>-0-</u>
As re-stated	<u>\$7,982,263</u>	<u>\$ 109,469</u>	<u>\$ -0-</u>	<u>\$8,091,732</u>

St. Vincent and Sarah Fisher Center

Notes to Financial Statements

December 31, 2011 and 2010

NOTE N. BOARD DESIGNATED ENDOWMENT

As discussed in Note M, the board of trustees has designated funds for endowment in the amount of \$1,941,489. FASB ASC Topic 948-205 provides guidance about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds). While not donor-restricted, the board of trustees intends the funds to be permanent and manages them accordingly.

Endowment investment and spending policies

The board of trustees has adopted investment and spending policies for endowment assets (and all its investments) so that a maximum total rate of return will be realized given a level of risk consistent with the preservation of capital and anticipated future cash flow requirements. The objectives of this policy are to be accomplished utilizing a balanced strategy of equities, fixed income securities and cash equivalents in a mix which is conducive to participation in rising markets while allowing for adequate protection in falling markets. Recommended portfolio asset allocation is as follows:

Equity Investments	55%
Fixed Income	40%
Cash	5%

The portfolio is diversified among economic sectors. No industry accounts for more than 20% and no issue accounts for more than 5% of the equity portfolio. No issue accounts for more than 5% of the fixed income portfolio, with the exception of U.S. Treasury and government agency securities.

Continuous portfolio management is facilitated by the investment manager and monitored by the investment committee.

The spending policy is based on a formal annual budget approved by the board of trustees. As the Center does not charge for its services, and has limited revenue from contributions, it depends on investment earnings to provide a predictable stream of funding for its programs.

Board designated endowment fund activities for 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Investment return		
Investment income	\$ 32,698	\$ 18,408
Net appreciation (depreciation)	(119,694)	97,058
Total investment return	(86,996)	115,466
Amount appropriated for expenditure	n/a	(115,466)
Total change in endowment funds	<u>\$ -0-</u>	<u>\$ -0-</u>