

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

**FINANCIAL STATEMENTS AND UNIFORM GUIDANCE
SUPPLEMENTARY REPORTS**

Year Ended September 30, 2022

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

**FINANCIAL STATEMENTS AND UNIFORM GUIDANCE
SUPPLEMENTARY REPORTS**

Year Ended September 30, 2022

CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1 – 3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Activities and Change in Net Assets	5
Statements of Functional Expenses	6 – 7
Statement of Cash Flows	8
Notes to Financial Statements	9 – 28
UNIFORM GUIDANCE SUPPLEMENTARY REPORTS	
Schedule of Expenditures of Federal Awards	29
Notes to the Schedule of Expenditures of Federal Awards	30
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31 – 32
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	33 – 35
Schedule of Findings and Questioned Costs	36 – 37



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

THE DIOCESAN COUNCIL OF THE SOCIETY OF ST. VINCENT DE PAUL, DIOCESE OF PHOENIX

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ***The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix*** (the "Organization"), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ***The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix*** as of September 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated January 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent in all material respects, with the audited financial statements from which it was derived.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2023 on our consideration of the Organization'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 solely 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 effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mayer Hoffman McCann P.C." in a cursive script.

February 3, 2023

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

STATEMENT OF FINANCIAL POSITION

September 30, 2022
(with summarized comparative totals at September 30, 2021)

ASSETS

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 6,559,271	\$ 9,209,745
Accounts receivable, net	155,413	245,707
Contributions, grants, and bequests receivable, net	8,568,271	12,428,546
Inventories	1,596,208	1,800,211
Investments	36,203,729	34,556,279
Beneficial interest in remainder trusts	837,820	1,212,833
Beneficial interests in assets held in trusts	8,717,158	10,524,665
Property and equipment, net	22,072,336	20,942,436
Other assets	<u>611,959</u>	<u>482,180</u>
 TOTAL ASSETS	 <u>\$ 85,322,165</u>	 <u>\$ 91,402,602</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 872,883	\$ 738,500
Accrued expenses and other liabilities	2,027,035	1,774,064
Charitable gift annuities payable	<u>1,767,512</u>	<u>1,700,639</u>
 TOTAL LIABILITIES	 <u>4,667,430</u>	 <u>4,213,203</u>

NET ASSETS

Without donor restrictions	38,736,201	38,167,067
With donor restrictions	<u>41,918,534</u>	<u>49,022,332</u>
 TOTAL NET ASSETS	 <u>80,654,735</u>	 <u>87,189,399</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 85,322,165</u>	 <u>\$ 91,402,602</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended September 30, 2022
(with summarized comparative totals for the year ended September 30, 2021)

	Without donor restrictions	With donor restrictions	2022 Total	2021 Total
SUPPORT AND REVENUES				
In-kind contributions - food, medical, dental, other	\$ 12,109,211	\$ -	\$ 12,109,211	\$ 13,603,771
In-kind contributions - donated merchandise - retail	4,880,060	-	4,880,060	4,554,214
Donated merchandise sales - retail	5,066,310	-	5,066,310	4,829,704
Bequests and trusts contributions	855,657	105,000	960,657	1,291,197
Contributions	22,016,057	3,123,137	25,139,194	24,892,294
Government and other grants	2,564,814	6,333,730	8,898,544	17,782,401
Interest and dividends	484,183	1,004,195	1,488,378	534,614
Realized and unrealized investment (losses) gains, net	(3,441,828)	(4,173,406)	(7,615,234)	5,859,167
Change in value of charitable gift annuities	(81,020)	-	(81,020)	(168,982)
Earnings on beneficial interest in assets held in trusts and remainder trusts	74,173	-	74,173	78,180
Change in value of beneficial interest in assets held in trusts and remainder trusts	-	(1,914,293)	(1,914,293)	2,375,272
Other	1,159,305	-	1,159,305	809,686
Net assets released from restrictions	11,582,161	(11,582,161)	-	-
TOTAL SUPPORT AND REVENUES	57,269,083	(7,103,798)	50,165,285	76,441,518
EXPENSES				
Program services				
Food, reclamation center, food services, dining room and urban farm	15,636,530	-	15,636,530	17,462,461
Retail operations	10,611,942	-	10,611,942	9,665,258
Shelter operations, ministry to the homeless and homelessness prevention	9,758,409	-	9,758,409	10,259,354
Medical/dental clinic	7,505,077	-	7,505,077	6,128,476
Special events and projects	1,436,467	-	1,436,467	635,844
Conferences and volunteers	2,986,262	-	2,986,262	1,915,062
Total program services	47,934,687	-	47,934,687	46,066,455
Support services				
Management and administration	3,572,185	-	3,572,185	2,707,036
Fundraising and community relations	5,203,077	-	5,203,077	4,214,720
Total support services	8,775,262	-	8,775,262	6,921,756
TOTAL FUNCTIONAL EXPENSES	56,709,949	-	56,709,949	52,988,211
GAIN ON FORGIVENESS OF PPP LOAN	-	-	-	2,362,000
GAIN ON SALE OF PROPERTY AND EQUIPMENT	10,000	-	10,000	10,738
CHANGES IN NET ASSETS	569,134	(7,103,798)	(6,534,664)	25,826,045
NET ASSETS, BEGINNING OF YEAR	38,167,067	49,022,332	87,189,399	61,363,354
NET ASSETS, END OF YEAR	\$ 38,736,201	\$ 41,918,534	\$ 80,654,735	\$ 87,189,399

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2022

	Food Reclamation Center, Food Services, Dining Room, and Urban Farm	Retail Operations	Shelter Operations, Ministry to the Homeless, and Homelessness Prevention	Medical/ Dental Clinic	Special Events and Projects	Conferences and Volunteers	Total Program Services	Management and Administration	Fundraising and Community Relations	Total Support Services	Total Functional Expenses
Salaries and wages	\$ 2,458,452	\$ 2,854,535	\$ 2,400,198	\$ 1,715,876	\$ 202,878	\$ 897,392	\$ 10,529,331	\$ 1,957,518	\$ 1,988,753	\$ 3,946,271	\$ 14,475,602
Employee benefits	703,124	753,268	603,958	528,221	73,200	267,715	2,929,486	514,360	483,156	997,516	3,927,002
Contract labor	535,657	54,880	767,520	31,815	15,606	13,443	1,418,921	6,553	50,528	57,081	1,476,002
Client costs	1,843,814	-	4,210,105	338,236	925,014	-	7,317,169	-	-	-	7,317,169
Council aid to conferences	-	-	-	-	8,000	1,541,780	1,549,780	-	-	-	1,549,780
Professional services	16,077	33,014	46,439	383,714	403	31,301	510,948	130,067	648,875	778,942	1,289,890
Equipment and supplies	520,579	100,690	298,562	52,665	12,000	42,368	1,026,864	22,846	76,962	99,808	1,126,672
Vehicle expenses	283,525	456,031	42,815	14,250	1,019	4,920	802,560	2,015	2,832	4,847	807,407
Repairs and maintenance	634,427	153,684	346,086	68,901	15,513	19,977	1,238,588	14,707	7,473	22,180	1,260,768
Computer expenses	29,451	59,680	28,987	58,659	7,933	23,720	208,430	679,626	177,248	856,874	1,065,304
Rent expense	-	486,235	-	-	-	-	486,235	-	-	-	486,235
Occupancy	403,808	274,861	164,449	48,284	11,905	23,307	926,614	19,578	17,094	36,672	963,286
Insurance	55,554	45,953	39,787	54,553	1,777	5,235	202,859	41,143	2,786	43,929	246,788
Advertising and marketing	-	-	-	-	-	-	-	-	1,055,702	1,055,702	1,055,702
Retail merchandise	-	101,651	-	-	-	-	101,651	-	-	-	101,651
Other expenses	56,593	108,852	49,253	43,185	26,489	88,393	372,765	169,956	605,675	775,631	1,148,396
Depreciation and amortization	505,438	118,900	270,281	174,558	11,397	18,664	1,099,238	7,432	20,976	28,408	1,127,646
In-kind expense - food	6,674,268	-	-	-	-	-	6,674,268	-	-	-	6,674,268
In-kind expense - merchandise	-	4,880,060	-	-	-	-	4,880,060	-	-	-	4,880,060
In-kind expenses - other	915,763	129,648	489,969	3,992,160	123,333	8,047	5,658,920	6,384	65,017	71,401	5,730,321
TOTAL FUNCTIONAL EXPENSES	\$ 15,636,530	\$ 10,611,942	\$ 9,758,409	\$ 7,505,077	\$ 1,436,467	\$ 2,986,262	\$ 47,934,687	\$ 3,572,185	\$ 5,203,077	\$ 8,775,262	\$ 56,709,949

See Notes to Financial Statements

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2021

	Food		Shelter						Fundraising and			
	Reclamation		Operations,						Community			
	Center, Food		Ministry to the		Medical/	Special	Conferences	Total Program	Management and	Relations	Total Support	Functional
	Services, Dining		Homeless, and		Dental	Events and	and	Services	Administration	Services	Services	Expenses
	Urban Farm	Retail	Homelessness	Prevention	Clinic	Projects	Volunteers					
Salaries and wages	\$ 2,352,079	\$ 2,591,286	\$ 1,622,728	\$ 1,468,087	\$ 132,585	\$ 649,965	\$ 8,816,730	\$ 1,554,634	\$ 1,655,840	\$ 3,210,474	\$ 12,027,204	
Employee benefits	686,741	698,303	402,945	430,935	50,149	197,422	2,466,495	394,199	407,691	801,890	3,268,385	
Contract labor	273,682	76,928	625,032	32,000	16,350	27,162	1,051,154	23,650	36,700	60,350	1,111,504	
Client costs	1,174,566	-	6,428,886	341,791	196,295	-	8,141,538	-	-	-	8,141,538	
Council aid to conferences	-	-	-	-	8,000	761,599	769,599	-	-	-	769,599	
Professional services	76,856	53,804	75,989	297,732	12,272	28,146	544,799	163,229	712,946	876,175	1,420,974	
Equipment and supplies	423,762	98,965	84,369	39,593	11,669	38,859	697,217	21,992	29,022	51,014	748,231	
Vehicle expenses	263,648	381,966	29,408	13,180	977	4,644	693,823	2,906	2,616	5,522	699,345	
Repairs and maintenance	601,011	114,355	287,720	111,012	18,413	16,752	1,149,263	13,339	9,710	23,049	1,172,312	
Computer expenses	12,126	32,854	10,227	12,011	76	12,521	79,815	408,215	85,203	493,418	573,233	
Rent expense	-	444,418	-	-	-	-	444,418	-	-	-	444,418	
Occupancy	315,905	289,027	147,956	49,257	8,720	18,660	829,525	14,651	15,673	30,324	859,849	
Insurance	45,024	40,990	28,413	52,913	5,925	4,778	178,043	7,244	5,577	12,821	190,864	
Advertising and marketing	-	-	-	-	-	-	-	-	787,506	787,506	787,506	
Retail merchandise	-	62,576	-	-	-	-	62,576	-	-	-	62,576	
Other expenses	116,139	111,444	35,893	21,798	22,471	135,939	443,684	92,487	450,335	542,822	986,506	
Depreciation and amortization	485,733	114,128	266,122	161,077	7,032	18,615	1,052,707	6,153	10,178	16,331	1,069,038	
In-kind expenses - food	9,313,290	-	250	-	18,408	-	9,331,948	-	1,860	1,860	9,333,808	
In-kind expense - merchandise	-	4,554,214	-	-	-	-	4,554,214	-	-	-	4,554,214	
In-kind expense - other	1,321,899	-	213,416	3,097,090	126,502	-	4,758,907	4,337	3,863	8,200	4,767,107	
TOTAL FUNCTIONAL EXPENSES	\$ 17,462,461	\$ 9,665,258	\$ 10,259,354	\$ 6,128,476	\$ 635,844	\$ 1,915,062	\$ 46,066,455	\$ 2,707,036	\$ 4,214,720	\$ 6,921,756	\$ 52,988,211	

See Notes to Financial Statements

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

STATEMENT OF CASH FLOWS

Year Ended September 30, 2022
(with summarized comparative totals for the year ended September 30, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (6,534,664)	\$ 25,826,045
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	1,127,646	1,069,038
Net realized and unrealized investment losses (gains)	7,615,234	(5,859,167)
Change in value of beneficial interest in remainder trust	375,013	(272,865)
Change in value of charitable gift annuities	81,020	168,982
Net distributions and change in value of beneficial interests in assets held in trusts	1,539,280	(2,102,407)
Contributions restricted to endowment	(5,600,727)	(5,698,647)
Contributions restricted to investment in property and equipment	(963,094)	(482,226)
Gain on forgiveness of PPP loan	-	(2,362,000)
Gain on sale of property and equipment	(10,000)	(10,738)
Contributed property and equipment	(39,500)	(38,850)
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	90,294	(24,199)
Contributions, pledges and grants receivable	7,583,871	(5,065,574)
Inventories	204,003	395,076
Other assets	(129,779)	9,398
Accounts payable	134,383	(44,260)
Accrued expenses and other liabilities	252,971	251,955
Charitable gift annuities payable	(14,147)	135,538
Net cash provided by operating activities	5,711,804	5,895,099
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,218,046)	(2,157,091)
Proceeds from sale of equipment	10,000	24,000
Distributions of beneficial interest in trusts corpus	268,227	-
Purchase of investments	(12,433,990)	(9,896,609)
Proceeds from sale of investments	3,171,306	2,097,827
Net cash used in investing activities	(11,202,503)	(9,931,873)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections on contributions restricted to endowment	1,877,131	5,698,647
Collections on contributions restricted to investment in property and equipment	963,094	482,226
Net cash provided by financing activities	2,840,225	6,180,873
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,650,474)	2,144,099
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,209,745	7,065,646
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,559,271	\$ 9,209,745

See Notes to Financial Statements

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

(1) Nature of operations and summary of significant accounting policies

Organization - The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix ("the Council") is a Catholic organization of Catholic and non-Catholic laypersons operating as a nonprofit corporation, without capital stock, throughout central and northern Arizona. The Council's primary mission is to serve the poor and to provide others with the opportunity to serve. The Council's primary programs include:

Program Services -

Food Reclamation Center, Food Services, Dining Room, and Urban Farm: The Council's five charity dining rooms are strategically located throughout metropolitan Phoenix to be easily accessible to the food-insecure people who need them most. Every day, the central kitchen prepares nourishing meals to be served at each of the dining rooms free of charge. Additionally, it supplies partner nonprofits without kitchen facilities of their own with daily meals to serve guests. Each day, truckloads of food donated by grocery stores and community food drives arrive at our central food bank to be sorted and measured against strict quality control standards before being sent to the central kitchen for hot meal service, or to one of the Council's 81 Community-Based Food Pantries. The Council's three urban farms provide freshly harvested food and sustainable programmatic support for the central kitchen and dining room meal services, and to the Council's network of food boxes.

Retail Operations: The Council's six retail stores throughout metropolitan Phoenix offer sustainable programmatic support for the various programs and services offered by the Council. Activities include collecting and transporting donated items to the thrift stores, and sorting and displaying products for sale. Donated clothing, furniture and household items are either sold, used by Council programs, or given directly to support someone in need.

Shelter Operations, Ministry to the Homeless, and Homelessness Prevention: The Resource Center provides homelessness prevention through emergency rent, mortgage and utility assistance. It also provides transportation for people experiencing homelessness to help them get home to families or jobs. The Council inspires about 200 homeless guests daily to make real changes in their lives by enhancing the dignity of each individual who walks through the door. The Council offers hot showers, clothing and haircuts, bikes and bus tickets, job leads and one-on-one social work case management and legal assistance. The Council's homeless shelter, Ozanam Manor, is a 60-bed shelter designed for those experiencing homelessness who are disabled, a veteran and/or age 50+. These residents receive best-practice one-on-one case management, mentoring, group activities and other goal-setting programs in an environment of trauma-informed care, to develop the skills and resources they will need to achieve independent living permanently. The Council also operates a 200-bed shelter providing a safe place for homeless men and women to sleep at night.

Medical/Dental Clinic: The Council's medical and dental clinics treat the uninsured or under-insured, low-income people of Arizona at little or no cost, increasing access to quality health care for a population with few affordable options. Offering access to specialty care, the clinics run on a small paid staff and team of volunteer physicians, dentists and other medical professionals. The clinics are also teaching partners for some of Arizona's top medical and dental colleges. Additionally, the Council's Family Wellness Center empowers patients prone to chronic illnesses to practice preventative care and offers them evidence-based, accredited education on diabetes management, healthy cooking and eating, and exercise.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

(1) Nature of operations and summary of significant accounting policies (continued)

Special Events and Projects: Special events and projects include activities performed to meet the mission and purposes of the Council but do not fall within the other functional categories. The Council operates two educational programs: Dream Center and One at a Time. The Dream Center after-school program serves children nightly with homework, literacy, tutoring, reading skills, games, classes, mentorship, and workshops. The One at a Time college scholarship program provides first-generation college students with tuition assistance, one-on-one mentoring, and other critical support to break the cycle of poverty.

Conferences and Volunteers: Activities include supporting the Parish Conferences, coordinating, and organizing approximately 13,500 volunteers that assist the Council in accomplishing the mission, and program related support relating to the various ministries of the Council.

Support Services -

Management and Administration: Activities include all costs not identifiable with a single program or fundraising activity but are an integral part of such programs and activities and to the Council's existence. This includes expenses for the overall direction of the Council, business management, general record keeping, budgeting, and financial reporting.

Fundraising and Community Relations: Activities performed by the Council for the generation of funds and/or resources to support its programs and operations. Activities also include the communication of the purpose, activities, and services of the Council to the public.

The assets, liabilities, net assets, and operating results of the District Councils and Conferences that also serve the needy are not included in the accompanying financial statements. The District Councils operate independently with separate officers, and are not controlled by the Council, but are subject to oversight by the Council and have the same rules and mission as the Council.

The significant accounting policies followed by the Council are summarized below:

Basis of presentation - The accompanying financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, Not-for-Profit Entities – Presentation of Financial Statements. Under ASC 958-205, the Council is required to report information regarding its financial position and activities according to two classes of net assets based upon the existence or absence of restrictions on use that are placed by donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Council. These net assets may be used at the discretion of the Council's management and the Board of Directors.

Net assets with donor restrictions

Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Council or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and change in net assets.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

(1) Nature of operations and summary of significant accounting policies (continued)

Management's use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - For purposes of reporting cash flows, cash and cash equivalents include liquid accounts with original maturities of three months or less that are not designated for investment purposes. Deposits at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC"). The Council maintains cash in financial institutions in excess of the amounts insured by the FDIC.

Accounts receivable - Accounts receivable are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to accounts receivable. Management's estimate of the allowance for doubtful accounts was \$3,000 as of September 30, 2022 and 2021.

Contributions and grants receivable - Contributions receivable represent unconditional promises to give (pledges) that are acknowledged in writing by donating parties prior to September 30 but not transmitted to the Council until after that date. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates determined by management, applicable to the years in which the promises are received. Amortization of the discounts is included in contribution support. The carrying amount of contributions receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management's estimate of the allowance for doubtful accounts was \$100,000 as of September 30, 2022 and 2021. Three pledges receivable made up 75% of contributions and grants receivable as of September 30, 2022. Two pledges receivable made up 81% of contributions and grants receivable as of September 30, 2021.

Inventories - Inventories consist of donated and purchased food, retail products and medical supplies. Donated food inventories are stated at the estimated value per pound as determined by Feeding America, a national association of food banks, which provides assistance and valuation of food and grocery products. Donated retail products and medical supplies inventories are stated at the estimated sales value at the time of donation. Purchased inventories are stated at the lower of cost, as determined using the first-in, first-out ("FIFO") basis, or net realizable value. Inventories stated below are net of a \$100,000 provision for inventory reserve as of September 30, 2022 and 2021.

Inventories consist of the following at September 30:

	2022	2021
Food	\$ 549,164	\$ 828,005
Retail products	530,844	410,743
Medical and pharmaceutical supplies	516,200	561,463
Total inventories	\$ 1,596,208	\$ 1,800,211

THE DIOCESAN COUNCIL OF THE SOCIETY OF ST. VINCENT DE PAUL, DIOCESE OF PHOENIX

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

(1) Nature of operations and summary of significant accounting policies (continued)

Investments - Investments are accounted for in accordance with FASB ASC 958-321, *Not-for-Profit Entities - Investments - Equity Securities* and FASB ASC 958-320, *Not-for-Profit Entities - Investments - Debt Securities*. Under FASB ASC 958-320 and FASB ASC 958-321, the Council reports investments in equity and debt securities at fair value in the statement of financial position. The fair value of marketable equity securities with readily determinable fair values are based on quoted market prices. The fair value of fixed income securities are measured using quoted market prices multiplied by the quantity held when quoted market prices are observable. If quoted market prices are not available, fair value is determined using one, or a combination, of the following methods: (1) a matrix pricing for similar bonds, (2) quoted prices for recent trading activity of assets with similar characteristics to the bond or (3) using an income approach valuation technique that considers, among other things, rates currently observed in publicly traded debt markets for debt of similar terms to companies with comparable credit risk and a credit value adjustment to consider the likelihood of counterparty nonperformance, after consideration for the impact of collateralization and netting agreements, if applicable.

Investment income or loss (including unrealized and realized gains and losses on investments, interest, and dividends) is included in net assets without restrictions unless the associated income or loss is restricted. Declines in the fair value of investments below their cost that are deemed to be other than temporary are reflected as realized losses. There were no declines in fair value of investments below their cost that were deemed to be other than temporary as of and for the years ended September 30, 2022 and 2021.

The Council uses various types of investments which are exposed to a variety of risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Fair value measurement - FASB ASC 820, *Fair Value Measurement*, establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. FASB ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

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 maximize the use of observable inputs and minimize the use of unobservable inputs.

Beneficial interest in assets held in trusts and remainder trusts - The Council receives contributions of investment assets in which the Council retains an interest. The assets are invested in debt and equity securities and administered by unrelated trustees, and distributions are made to the Council. Perpetual trust investments held by a third-party trustee are valued at fair value based upon quoted market prices, when available, and when not available, are recorded at estimated fair value. Initial recognition and subsequent adjustments to the assets' carrying value are recognized as trust contributions and change in value of beneficial interest in assets held in trusts.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

(1) Nature of operations and summary of significant accounting policies (continued)

The Council is the beneficiary of two irrevocable charitable remainder trusts. Under the terms of the trust agreements, the Council is to receive the remainder interest in the assets at the end of the trusts' terms. Upon the termination of the trust agreements, the remaining trust assets are distributed. The value of the two beneficial interest agreements are recorded at the fair value of the investments which are held by third-party trustees and then adjusted for the Council's interest in the assets.

The beneficial interest in assets held in trusts and remainder trusts are classified within Level 3 of the valuation hierarchy.

Property and equipment - Property, and equipment are initially recorded at cost and donated property and equipment are recorded at fair value at the date of gift. Betterments and renewals in excess of \$10,000 are capitalized. Construction-in-progress is stated at cost and not depreciated. The construction-in-progress will be transferred to buildings and improvements upon completion. Depreciation is provided using the straight-line method over the following useful lives:

Buildings and improvements	10 to 40 years
Equipment	3 to 15 years
Automobiles and trucks	5 to 10 years
Website/software	3 years
Leasehold improvements	5 years

Impairment of long-lived assets - The Council reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe that any impairment indicators were present as of September 30, 2022 or 2021.

Charitable gift annuities - The Council receives contributions of assets in exchange for a promise by the Council to pay a fixed amount for a specified period of time to the donor or to donor-designated beneficiaries. The assets are invested and administered by the Council and distributions are made to the beneficiaries under the terms of the agreements. The assets received are held in the investments of the Council and the annuity liability is a general obligation of the Council. The initial recognition and subsequent adjustments to the assets' carrying values are reported as a change in value of the charitable gift annuities on the statement of activities and change in net assets.

Obligations under the charitable gift annuities are recorded when incurred at the present value of the anticipated distributions to be made to the donor-designated beneficiaries. Distributions are paid over the lives of the beneficiaries or a specific period. Present values are determined using appropriate discount rates and actuarially determined life expectancies. Obligations under these agreements are revalued annually at September 30 to reflect actuarial experience; the discount rate is not changed. The net revaluations, together with any remaining recorded obligations after all trust or gift obligations under terminated agreements have been satisfied, are recorded as net changes in the value of charitable gift annuities.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

(1) Nature of operations and summary of significant accounting policies (continued)

Contributions - The Council evaluates grants and contributions for evidence of the transfer of commensurate value from the Council to the resource provider. The transfer of commensurate value from the Council to the resource provider may include instances when a) the goods or services provided by the Council directly benefit the grantor or resource provider or are for the sole use of the grantor or resource provider or b) the grantor or resource provider obtains proprietary rights or other privileges from the goods or services provided by the Council. When such factors exist, the Council accounts for the grants or contributions as exchange transactions under ASC 606, *Revenue from Contracts with Customers*, or other appropriate guidance. In the absence of these factors, the Council accounts for the award under the contribution accounting model.

In the absence of the transfer of commensurate value from the Council to the resource provider, the Council evaluates the contribution for criteria indicating the existence of measurable barriers to entitlement for the Council or the right of return from the resource provider. A barrier to entitlement is subject to judgment and generally represents an unambiguous threshold for entitlement that provides clarity to both the Council and resource provider whether the threshold has been met and when. These factors may include measurable performance thresholds or limited discretion on the part of the Council to use the funds. Should the existence of a measurable barrier to entitlement exist and be accompanied by a right of return of the funds to the resource provider or release of the resource provider from the obligation, the contribution is treated as a conditional contribution. If both the barrier to entitlement and right of return do not exist, the contribution is unconditional.

The Council accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions. Contributions with donor restrictions, where restrictions are fulfilled in the same period in which the contribution is received, are shown as additions to contributions without donor restrictions.

One contribution comprises 19% of total contribution revenue for the year ended September 30, 2022. Two contributions comprise 29% of total contribution revenue for the year ended September 30, 2021.

Bequests - Bequests are recognized as contribution revenue in the period the Council receives notification the court has found the will of the donor's estate to be valid and all conditions have been substantially met. At September 30, 2022 and 2021 bequests receivable are all due within one year. Management provides for probable uncollectible bequests receivable through a charge to earnings and a credit to a valuation allowance based on its assessment of the current-status of individual bequests receivable, if necessary. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to bequests receivable. At September 30, 2022 and 2021, bequests receivable are deemed by management to be fully collectible; accordingly, an allowance for uncollectible bequests is not considered necessary.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

(1) Nature of operations and summary of significant accounting policies (continued)

Government grants - A portion of the Council's revenue is derived from federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Council has met performance requirements or has incurred expenditures in compliance with specific contract or grant provisions. The Council's management believes it to be in compliance with applicable grant or contract requirements. The amount, if any, of expenditures or fees for units of service which may be disallowed by the granting or contracting agencies cannot be determined at this time, although Council management expects such amounts, if any, to be immaterial. Any amounts received prior to incurring qualifying expenditures would be reported as deferred revenue in the statement of financial position. The Council received conditional grants totaling \$3,954,518 and \$772,764 that had not been recognized at September 30, 2022 and 2021, respectively, as qualifying expenditures have not yet been incurred.

Donated non-financial assets (in-kinds) - In September 2020, the FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Organization implemented ASU 2020-07 during the year ended September 30, 2022 and presents contributed nonfinancial assets (in-kinds) separately on the statement of activities and change in net assets.

Donated goods and materials are reflected as contributions in the statement of activities and change in net assets at their estimated fair values at the date of receipt. The Council receives donated food, merchandise, pharmaceuticals, and supplies from grocery stores, businesses, individual donors, other not-for-profit organizations, and the U.S. Department of Agriculture ("USDA"), and through community food drives.

The Council reports the fair value of donated food as contributions without donor restrictions, and immediately thereafter, as an expense when distributed for program purposes and received by the recipients. Donated food is typically utilized in the Council's programs. For the years ended September 30, 2022 and 2021, the Council did not monetize any donated food. Donated food, other than that provided by the USDA, is valued based on the estimated price per pound as determined by Feeding America. These values were determined based upon calendar year 2021 and 2020 studies performed by Feeding America. Each of the annual studies involves a review of various product categories and wholesale prices using a national wholesaler's pricing catalogs. Other independent sources may also be used as necessary for items not included in the catalogs (Level 2 inputs). The average value of one pound of donated product will vary from year-to-year based on the mix of product items donated. As part of the study, Feeding America analyzes and reviews the results to determine the accuracy and understand the key components of the valuation and the year-over-year changes.

Donated pharmaceuticals and supplies are valued at estimated fair value using average wholesale prices of drugs and other independent sources (Level 2 inputs). Donated pharmaceuticals and supplies are typically utilized in the Council's programs. For the years ended September 30, 2022 and 2021, the Council did not monetize any donated pharmaceuticals and supplies.

Donated merchandise is valued at estimated fair value based on estimated prices if identical or similar items in local retail markets (Level 2 inputs) in a similar condition. Most of the donated merchandise is monetized through sale in the Council's thrift stores. The proceeds from donated merchandise retail sales are utilized in the Council's programs.

Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. The Council receives medical, dental, and other professional services from qualified providers which is valued based on estimated prices or rates for identical or similar services in the local market (Level 2). The Council uses medical, dental and other professional services within their programs.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

(1) Nature of operations and summary of significant accounting policies (continued)

No amounts have been reflected in the financial statements for certain donated volunteer services because they did not qualify for recording under the guidelines of FASB ASC 958-605; however, a substantial number of volunteers have donated significant amounts of their time in the Council's program services. Management estimates that the unrecorded number of donated services hours was 174,240 and 142,740 for the years ended September 30, 2022 and 2021, respectively.

In-kind contributions consist of the following for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Total food received in pounds from grocery stores, food drives and government	3,678,497	4,919,974
Estimated grocery store market value (per pound)	<u>\$ 1.53</u>	<u>\$ 1.70</u>
Donated food and grocery products	6,674,268	\$ 9,088,467
Donated merchandise for retail sales	4,880,060	4,554,214
Items for program use	1,441,631	1,340,948
Professional volunteer support	2,187,424	1,666,097
Medical/dental supplies and procedures	1,766,388	1,469,409
Donated fixed assets	39,500	38,850
Total in-kind contributions	<u>\$ 16,989,271</u>	<u>\$ 18,157,985</u>

Revenue recognition and adoption of ASC Topic 606 - In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASC Topic 606"). The core principle of the guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized. The Council adopted this standard as of October 1, 2020 using a modified retrospective approach. The timing of revenue recognition was not affected by the adoption of Topic 606. As a result, there was no adjustment to net assets as of October 1, 2020.

Donated merchandise sales - retail - The Council has several retail stores open to the public. Retail sales revenue is reported at an amount that reflects the consideration to which the Council expects to be entitled in exchange for the goods. Amounts received for retail store sales are recorded as revenue at the point in time the goods are transferred to the customer. Payment is due at the time of the sale.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

(1) Nature of operations and summary of significant accounting policies (continued)

Functional expenses - The costs of providing the Council's various programs and other activities have been reported on a functional basis in the accompanying statement of activities and change in net assets. The statement of functional expenses presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. The Council charges substantially all of the expenses directly to the appropriate function. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Council. Program service expenses not directly chargeable are allocated based on the following indicators:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Occupancy	Square footage
Depreciation	Square footage

Income taxes - The Council is a nonprofit charitable organization and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for federal or state corporate income taxes has been made in the accompanying financial statements. The Council qualifies for the charitable contribution deduction under Section 170 of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a). Income determined to be unrelated business taxable income would be taxable.

The Council evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filing, and discussions with outside experts. At September 30, 2022 and 2021, management believes the Council did not have any uncertain tax positions.

The Council's federal Return of Organization Exempt from Income Tax (Form 990) for 2019, 2020 and 2021 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. As of the date of this report, the 2022 returns had not yet been filed.

Recent accounting pronouncements - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in existing lease accounting guidance. The ASU's original effective date was delayed twice pursuant to ASU 2015-14 and ASU 2020-05. The effective date for the Council is now fiscal year ending September 30, 2023. The Council has estimated that if they were to adopt ASU 2016-02 for the year ended September 30, 2022, a non-current right of use asset of approximately \$989,000 and a corresponding current and non-current lease liability of approximately \$396,000 and \$593,000, respectively, would be recorded in the accompanying statement of financial position as of September 30, 2022. The estimate was calculated using the minimum future lease payments (See Note 8) and a discount rate of 4.16% representing an estimated risk-free rate.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. ASU No. 2018-13 modifies the disclosure requirements for fair value measurement by removing disclosure requirements for nonpublic entities for transfers between Level 1 and Level 2 fair value hierarchy, the valuation process for Level 3 fair value measurements and modifies the disclosures for Level 3 fair value measurement activity and investments in entities that calculate net asset value. The amendments in this update are effective for fiscal

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

(1) Nature of operations and summary of significant accounting policies (continued)

years beginning after December 15, 2019 and are applied prospectively. The Council adopted the standard effective October 1, 2020 and as a result removed the disclosure for Level 3 fair value measurement activity.

Subsequent events - The Council has evaluated events through February 3, 2023, which is the date the financial statements were available to be issued.

(2) Receivables

Contributions, grants, and bequests receivable have been discounted at a rate of approximately 3.00% at September 30, 2022 and 2021. The following is a summary of the contributions, grants and bequests receivable at September 30:

	<u>2022</u>	<u>2021</u>
One year	\$ 3,786,557	\$ 10,398,808
Two to five years	<u>5,524,018</u>	<u>2,505,000</u>
Gross contributions, grants, and bequests receivable	9,310,575	12,903,808
Less: Discount to present value	(642,304)	(375,262)
Less: Allowance for uncollectable pledges	<u>(100,000)</u>	<u>(100,000)</u>
Total contributions, grants, and bequests receivable, net	<u>\$ 8,568,271</u>	<u>\$ 12,428,546</u>

Accounts receivable consist of the following at September 30:

	<u>2022</u>	<u>2021</u>
Receivables from conferences and affiliates	\$ 120,308	\$ 244,529
Other receivables	<u>38,105</u>	<u>4,178</u>
Gross accounts receivable	158,413	248,707
Less: Allowance for uncollectable receivables	<u>(3,000)</u>	<u>(3,000)</u>
Total accounts receivable, net	<u>\$ 155,413</u>	<u>\$ 245,707</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

(3) Investments and fair value of financial instruments

The following table presents assets measured at fair value by classification within the fair value hierarchy as of September 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 369,407
Mutual funds:				
Equity funds	11,119,369	-	-	11,119,369
Small cap	12,345,384	-	-	12,345,384
Large cap	5,260,697	-	-	5,260,697
Total mutual funds	28,725,450	-	-	28,725,450
Certificates of deposit	468,009	1,632,353	-	2,100,362
Fixed income:				
Government bonds	111,106	2,241,740	-	2,352,846
U.S. Treasury note	2,655,664	-	-	2,655,664
Total fixed income	2,766,770	2,241,740	-	5,008,510
 Total investments at fair value	 <u>\$ 31,960,229</u>	 <u>\$ 3,874,093</u>	 <u>\$ -</u>	 <u>\$ 36,203,729</u>
 Beneficial interests in remainder trusts	 \$ -	 \$ -	 \$ 837,820	 \$ 837,820
Beneficial interests in assets held in trusts	\$ -	\$ -	\$ 8,717,158	\$ 8,717,158

The following table presents assets measured at fair value by classification within the fair value hierarchy as of September 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 640,086
Mutual funds:				
Equity funds	10,661,545	-	-	10,661,545
Small cap	13,446,373	-	-	13,446,373
Large cap	4,661,288	-	-	4,661,288
Total mutual funds	28,769,206	-	-	28,769,206
Certificates of deposit	-	2,126,316	-	2,126,316
Fixed income:				
Government bonds	-	1,666,260	-	1,666,260
U.S. Treasury note	1,354,411	-	-	1,354,411
Total fixed income	1,354,411	1,666,260	-	3,020,671
 Total investments at fair value	 <u>\$ 30,123,617</u>	 <u>\$ 3,792,576</u>	 <u>\$ -</u>	 <u>\$ 34,556,279</u>
 Beneficial interests in remainder trusts	 \$ -	 \$ -	 \$ 1,212,833	 \$ 1,212,833
Beneficial interests in assets held in trusts	\$ -	\$ -	\$ 10,524,665	\$ 10,524,665

The Council has no other financial instruments subject to fair value measurement on a recurring basis as of September 30, 2022 and 2021.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

(4) Beneficial interests in assets held in trusts and remainder trusts

The Council is the sole beneficiary of the income earned on the assets of two irrevocable trusts. Under the terms of one of the trust agreements, the trustee may also distribute principal balances, at the trustee's sole discretion, as long as the payments will be used to provide food and shelter to the needy.

The Council is a joint beneficiary of the income earned on the assets of another irrevocable trust in perpetuity. The income distributed is to be used to benefit the operations of the Council's dining rooms. During fiscal 2022, the court approved a petition to terminate the irrevocable trust. As part of the agreement, the Council agreed to transfer these assets to a permanent endowment. The transfer was in process at September 30, 2022.

The Council has been named as a joint beneficiary of assets held in two remainder trust agreements. The remainder trust agreements are held by third-party trustees and then adjusted for the Council's interest in the assets. The Council is to receive either interest payments or a portion of the assets annually over the specified terms in the remainder trust agreements and a remainder interest in the assets at the end of the trusts' term. Upon the termination of the remainder trust agreements, the remaining trust assets are distributed.

Beneficial interests in assets held in trust consist of the following at September 30:

	2022	2021
Sole beneficiary of two irrevocable non-perpetual trusts	\$ 8,708,821	\$ 10,328,813
Joint beneficiary of one irrevocable perpetual trust	8,337	195,852
Total beneficial interests in assets held in trusts	\$ 8,717,158	\$ 10,524,665
 Beneficial interest in two remainder trusts	 \$ 837,820	 \$ 1,212,833

The income and losses from the trusts consist of the following:

	2022	2021
Change in the fair value of the trust assets:		
Assets held in trusts	\$ (1,539,280)	\$ 2,102,407
Remainder trusts	(375,013)	272,865
Total change in the fair value of the trusts' assets	\$ (1,914,293)	\$ 2,375,272
 Income from trusts	 \$ 74,173	 \$ 78,180

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

(5) Property and equipment

Property and equipment consist of the following at September 30:

Cost or donated value	<u>2022</u>	<u>2021</u>
Land	\$ 5,875,990	\$ 5,414,537
Buildings and improvements	20,583,499	20,486,505
Equipment	5,425,669	4,524,587
Automobiles and trucks	706,446	722,386
Website/software	637,361	388,099
Leasehold improvements	279,216	225,119
Construction in progress	699,644	632,585
Total	34,207,825	32,393,818
Less: Accumulated depreciation and amortization	<u>(12,135,489)</u>	<u>(11,451,382)</u>
Total property and equipment, net	<u>\$ 22,072,336</u>	<u>\$ 20,942,436</u>

Depreciation and amortization expense totaled \$1,127,646 and \$1,069,038 for the years ended September 30, 2022 and 2021, respectively.

Construction in progress at September 30, 2022 relates primarily to the Ozanam Manor II project which entails the Council's expansion of their existing 60-bed Ozanam Manor transitional housing program to include 100 additional beds and extensive wrap-around support services in a new location on the Council's campus. In December 2022, the Council created Oz II, LLC a new legal entity which is a wholly-owned subsidiary of the Council. The Council's intent is to ultimately move the completed facility into the Oz II, LLC entity and then lease the facility from Oz II, LLC to the Council. The Ozanam Manor II project has a total cost of approximately \$19 million and is anticipated to be completed in 2024. The project is being largely funded through grants from Maricopa County, the State of Arizona, and the City of Phoenix.

Construction in progress at September 30, 2021 included installation of a new industrial freezer in the food reclamation center. The project has a total cost of approximately \$485,000 and was completed in November 2021. The project was funded through the use of operating cash and contributions.

(6) Charitable gift annuities

At September 30, 2022 and 2021, the Council administered 95 and 82 charitable gift annuities, respectively. The assets contributed under the charitable gift annuities are carried at fair value. Contribution revenues are recognized at the date the annuities are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. Present values are calculated using a 6% discount rate which reflects the fair value as determined at the time the annuities are established, and actuarial tables and guidelines used for calculating the available deduction for income tax purposes. The liabilities are adjusted for the accretion of the discount and other changes in the estimates of future benefits. The present value of the estimated annuity payments associated with the charitable gift annuities is \$1,767,512 and \$1,700,639 at September 30, 2022 and 2021, respectively.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

(7) Lines of credit

In July 2022, the Council entered into a line of credit with a bank maturing in July 2023. The line of credit has a maximum borrowing limit of \$2,000,000 and accrues interest at a variable rate equal to the prime rate as published in the Wall Street Journal. The prime rate as published in the Wall Street Journal was 6.25% as of September 30, 2022. The line of credit is secured by the Council's real and personal property and is subject to certain financial covenants. As of September 30, 2022, there was no amount outstanding under the line of credit.

In May 2018, the Council entered into a revolving line of credit with a bank maturing May 2025. The line of credit has a maximum borrowing limit of \$2,000,000 decreasing by \$2,083 per month commencing after June 2018 and accrues interest at a fixed rate of 4.25%. The maximum borrowing limit was \$1,891,684 and \$1,916,680 as of September 30, 2022 and 2021, respectively. The line of credit is secured by the Council's personal property under a Deed of Trust and is subject to certain financial covenants. As of September 30, 2022 and 2021, there were no amounts outstanding under the line of credit.

In May 2018, the Council entered into a line of credit with a bank that matured in April 2022 and was not renewed. The line of credit had a maximum borrowing limit of \$4,000,000 and accrued interest at a fixed rate of 4.25% on outstanding advances. The line of credit was secured by the Council's real and personal property and is subject to certain financial covenants. At September 30, 2022 and 2021, there were no amount outstanding under the line of credit.

(8) Operating leases

The Council leases equipment, facilities, and vehicles under operating lease agreements that expire through September 2026.

Future minimum payments under these non-cancelable operating leases as of September 30, 2022 are as follows:

<u>Years Ending September 30,</u>	
2023	\$ 400,000
2024	335,100
2025	227,400
2026	<u>55,400</u>
Total minimum future rental commitments	<u>\$ 1,017,900</u>

It is expected that in the normal course of business, leases that expire will be renewed or replaced by other leases. Total rental expense under these leases was \$675,588 and \$619,447 for the years ended September 30, 2022 and 2021, respectively.

(9) Net assets and board-designated funds

Board-designated net assets without donor restrictions totaled \$8,589,878 and \$4,503,465 at September 30, 2022 and 2021, respectively, and consist of amounts designated as long-term investments for the purpose of building an endowment fund to secure the future of the Council's mission. The earnings from the long-term investments are currently being reinvested and are also designated for this purpose.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

(9) Net assets and board-designated funds (continued)

Net assets with donor restrictions are available for the following restricted purposes or periods as of September 30:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for a specified purpose or time:		
Time restrictions	\$ 4,375,937	\$ 12,822,571
Purpose restrictions	<u>3,879,404</u>	<u>6,964,894</u>
Total net assets subject to expenditure for a specified purpose or time	<u>\$ 8,255,341</u>	<u>\$ 19,787,465</u>
Subject to restriction in perpetuity:		
Medical/Dental clinic operations	\$ 6,722,051	\$ 6,613,361
Cuernavaca	35,100	32,100
Dining room	288,300	288,300
General	3,299,030	3,124,967
Ministries	499,586	480,000
Vincentian Endowment	2,209,820	1,818,697
Ozanam Manor	151,682	86,513
One At A Time	200,520	95,020
Chief Executive Officer	5,000,000	5,000,000
Dental Clinic - endowed	1,000,000	-
Dental Clinic - pledged	3,723,596	-
Hahn	10,000	-
Smith Connor	<u>172,013</u>	<u>-</u>
Total net assets subject to restriction in perpetuity	<u>\$ 23,311,698</u>	<u>\$ 17,538,958</u>
Beneficial interests in assets held in trusts:		
Providing food and shelter to the needy	\$ 7,773,466	\$ 9,089,483
Any council	935,355	1,239,330
Dining room operations	<u>8,337</u>	<u>195,852</u>
Total beneficial interests in assets held in trusts	<u>\$ 8,717,158</u>	<u>\$ 10,524,665</u>
Other:		
Human services campus (land)	\$ 1,171,244	\$ 1,171,244
Ozanam Manor II (CIP)	<u>463,093</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 41,918,534</u>	<u>\$ 49,022,332</u>

Net assets released from restriction consisted of the following for the years ended September 30:

Expiration of time restrictions	\$ 9,017,730	\$ 2,508,428
Purpose restrictions	<u>2,564,431</u>	<u>2,597,064</u>
Total net assets with donor restrictions released from restriction	<u>\$ 11,582,161</u>	<u>\$ 5,105,492</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

(10) Endowments

The Council's endowments consist of several funds established to support operations. Its endowments consist of donor-restricted and board-designated funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Council has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts including promises to give at fair value) donated to the endowments and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Council in a manner consistent with the standard of prudence prescribed by SPMIFA. The Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Council and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Council
7. The investment policies of the Council

Return objectives and risk parameters

The Council has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a mix of relevant benchmarks, while assuming a moderate level of investment risk. The Council expects its endowment funds, over time, to provide returns ranging between 4% and 7% annually.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Council to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of September 30, 2022 or 2021.

Spending policy

The Board of Directors has adopted a policy of annually appropriating for expenditures 4% to 7% of the Endowment Funds portfolio balance. The appropriation rate is applied to the one-to-three-year average of the investment portfolio balance, depending on the specific endowment fund and for funds that are not subject to other contractual spending policies in accordance with the Management of Charitable Funds Act of Arizona. The spending policies may be adjusted by the Board as deemed appropriate.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

(10) Endowments (continued)

Endowment net asset composition by type of fund as of September 30, 2022 is as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2022 Total</u>
Donor-restricted endowments - held in perpetuity	\$ -	\$ 19,588,102	\$ 19,588,102
Accumulated donor restricted endowment earnings	-	1,804,025	1,804,025
Board-designated endowment net assets	<u>8,589,878</u>	<u>-</u>	<u>8,589,878</u>
Total	<u>\$ 8,589,878</u>	<u>\$ 21,392,127</u>	<u>\$ 29,982,005</u>

Endowment net asset composition by type of fund as of September 30, 2021 is as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowments - held in perpetuity	\$ -	\$ 17,538,958	\$ 17,538,958
Accumulated donor restricted endowment earnings	-	4,973,236	4,973,236
Board-designated endowment net assets	<u>4,503,465</u>	<u>-</u>	<u>4,503,465</u>
Total	<u>\$ 4,503,465</u>	<u>\$ 22,512,194</u>	<u>\$ 27,015,659</u>

Changes in endowment net assets for the year ended September 30, 2022 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 4,503,465	\$ 22,512,194	\$ 27,015,659
Investment return:			
Investment income	298,223	1,004,195	1,302,418
Net depreciation	<u>(2,429,916)</u>	<u>(4,173,406)</u>	<u>(6,603,322)</u>
Total investment return	(2,131,693)	(3,169,211)	(5,300,904)
Contributions	-	1,877,131	1,877,131
Beneficial Interest converted to permanent endowment	-	172,013	172,013
Board-designated contributions	6,218,106	-	6,218,106
Appropriation of assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets - end of year	<u>\$ 8,589,878</u>	<u>\$ 21,392,127</u>	<u>\$ 29,982,005</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

(10) Endowments (continued)

Changes in endowment net assets for the year ended September 30, 2021 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 2,297,707	\$ 12,253,179	\$ 14,550,886
Investment return:			
Investment income	81,280	429,406	510,686
Net appreciation	824,375	4,130,962	4,955,337
Total investment return	905,655	4,560,368	5,466,023
Contributions	-	5,698,647	5,698,647
Board-designated contributions	1,300,103	-	1,300,103
Appropriation of assets for expenditure	-	-	-
Endowment net assets - end of year	<u>\$ 4,503,465</u>	<u>\$ 22,512,194</u>	<u>\$ 27,015,659</u>

(11) Retirement plan

The Council sponsors a defined contribution plan (the Plan) under Section 401(k) of the Internal Revenue Code. The Plan covers substantially all employees who have completed 90 days of service. Under the Plan, employees may contribute up to 25% of their earnings on a pre-tax basis, not to exceed certain federal limitations. The Council will match 50% of the employee's contributions up to 10% of the employee's annual earnings. The Council also makes supplemental contributions of 2% of annual salary under the Plan for employees with one year or more of service as of December 31st each year. The Council may also make additional supplemental contributions from time to time as approved by the Board of Directors. Participants are vested in their contributions and become fully vested in the Council's contributions immediately. The Council's contribution was \$647,600 and \$462,500 for the years ended September 30, 2022 and 2021, respectively.

(12) Related party transactions

Accounts receivable of \$120,308 and \$244,529 as of September 30, 2022 and 2021, respectively, were due from other District Councils and Parish Conferences.

The Council provides various means of support to various District Councils and Parish Conferences. A service fee is collected for donated food and thrift store items are sold at discounted prices to the District Councils. The District Councils provide the food and these items to their clients at no charge. Funding in the amount of \$1,549,743 and \$705,718 was also provided to eligible District Councils and Parish Conferences during the years ended September 30, 2022 and 2021, respectively. District Councils tithe 10% of their qualifying revenues to the Council.

The Council received grants from an organization whose board of trustee member is an employee of the Council. As a board of trustee member for the awarding agency, the member abstains from voting on any Council related matters. The grant awards totaled \$115,250 and \$8,043,235 for 2022 and 2021, respectively. Additionally, the Council had contributions, grants and bequests receivable from this organization totaling \$2,000,000 and \$10,500,000 as of September 30, 2022 and 2021, respectively.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

(12) Related party transactions (continued)

The Council operates a facility as part of the Human Services Campus, Inc. (the "Campus"). The Campus provides leadership and high-quality human services through various service providers including the Council and those in need. The Council also retains two seats on the Board of Directors of the Campus, not subject to Campus approval, and the Council does not exercise control over the Campus. Likewise, the Campus does not control the Council. The Council's share of common expenses was \$99,316 and \$92,189 during fiscal 2022 and 2021, respectively.

(13) Liquidity and availability of resources

The Council regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenses over a 12-month period, the Council considers all expenses related to its ongoing activities to be general expenses.

The following table reflects the Council's financial assets of September 30, 2022 and 2021 available to meet general expenses within one year of the statement of financial position date:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 6,559,271	\$ 9,209,745
Accounts receivable, net	155,413	245,707
Contributions, grants and bequests receivable, net	8,568,271	12,428,546
Investments	<u>36,203,729</u>	<u>34,556,279</u>
Total financial assets	51,486,684	56,440,277
Less: contributions, pledges, and grants receivable due in more than one year, net	(4,781,714)	(2,029,738)
Less: board-designated net assets	(8,589,878)	(4,503,465)
Less: net assets with donor restrictions, unavailable for expenses - endowments	(21,392,127)	(22,512,194)
Less: net assets with donor restrictions, unavailable for expenses - purpose restriction	<u>(2,075,379)</u>	<u>(1,991,658)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,647,586</u>	<u>\$ 25,403,222</u>

The Council receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenses. The Council manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Council's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenses.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

(13) Liquidity and availability of resources (continued)

The Council's board-designated endowments funds of \$8,589,878 and \$4,503,465 of September 30, 2022 and 2021, respectively, are subject to an annual spending rate of 4% to 7% as described in Note 10. Although the Council does not intend to spend from these funds (other than amounts appropriated for general expenses as part of the Board's annual budget approval and appropriation), these amounts could be made available through Board action.

The Council also maintains two lines of credit to fund short-term liquidity needs, see Note 7.

(14) Risks and uncertainties

In the ordinary course of business, the Council may be subject to lawsuits and other potential legal actions. In the opinion of management and outside counsel, such matters will not have a material adverse effect on the financial position, changes in net assets and net assets of the Council.

The Council participates in several federal and state-assisted grant and contract programs which are subject to financial and compliance audits or reviews. Accordingly, the Council's compliance with applicable grant or contract requirements may be established at some future date. The amount, if any, of expenditures or fees for units of service which may be disallowed by the granting or contracting agencies are determined upon the completion of such audits or reviews.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a "pandemic". First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. The pandemic has also negatively impacted U.S. and global financial markets, which continue to experience significantly volatility. As a result, the Council's investments could be negatively impacted.

The Council applied for and received a forgivable Paycheck Protection Program ("PPP") Loan of approximately \$2,362,000 as provided under the Federal Coronavirus Aid, Relief and Economic Security ("CARES") Act and the loan was funded in April 2020. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified costs and that certain employment levels are maintained. To the extent that a portion of the loan does not meet the criteria to be forgiven, such amount is due and carries an interest rate of 1%. The Council accounted for this agreement in accordance with FASB ASC 470 as debt. Forgiveness of the loan is to be recognized when the debtor is legally released from being the primary obligor under the liability, either judicially or by the creditor. This is to occur immediately once the debtor is legally released. In July 2021, the Council received notice from the Small Business Administration that the loan had been fully forgiven and the forgiveness payment had been remitted to the lender of record. The forgiveness of the PPP loan is presented on the statement of activities and change in net assets as gain on forgiveness of PPP loan.

**UNIFORM GUIDANCE
SUPPLEMENTARY REPORTS**

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2022

Federal Grantor / Pass-Through Agency / Program or Cluster Title	Assistance Listing Number	Pass-Through Grantor's Identifying Number	Federal Expenditures
U.S. Department of Agriculture (USDA)			
Food Distribution Cluster:			
Passed through Arizona Department of Economic Security Emergency Food Assistance Program (Food Commodities)	10.569	N/A	\$ <u>202,030</u>
Total U.S. Department of Agriculture (USDA)			<u>202,030</u>
U.S. Department of Homeland Security			
Passed through WHEAT			
Emergency Food and Shelter National Board Program	97.024	LRO#0256-00-010	953,326
COVID-19 - Emergency Food and Shelter National Board Program - ARPA	97.024	LRO#0256-00-010	82,239
Emergency Food and Shelter Program HR22	97.024	LRO#0256-00-010	<u>308,193</u>
Subtotal Assistance Listing Number 97.024			<u>1,343,758</u>
Total U.S. Department of Homeland Security			<u>1,343,758</u>
U.S. Department of the Treasury			
Passed through the City of Phoenix			
COVID-19 - Emergency Rental Assistance Program	21.023	ERA0042	593,527
Passed through Arizona Community Action Association DBA Wildfire			
COVID-19 - Emergency Rental Assistance Program	21.023	N/A	<u>531,455</u>
Subtotal Assistance Listing Number 21.023			<u>1,124,982</u>
Passed through Maricopa County			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - ARPA	21.027	VC0000006847	417,111
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - ARPA	21.027	N/A	<u>1,461,647</u>
Subtotal Assistance Listing Number 21.027			<u>1,878,758</u>
Total U.S. Department of the Treasury			<u>3,003,740</u>
U.S. Department of Health and Human Services			
Passed through the Centers for Disease Control and Prevention and the State of Arizona			
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426	N/A	<u>21,295</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,570,823</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2022

(1) Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of ***The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix*** under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of ***The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix***, it is not intended to and does not present the financial position, change in net assets or cash flows of ***The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix***. ***The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix*** did not provide federal awards to sub-recipients during the year ended September 30, 2022.

(2) Summary of significant accounting policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. ***The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix*** has not elected to use the ten percent de minimus indirect cost rate as allowed under the Uniform Guidance.



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**INDEPENDENT AUDITORS' 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**

To the Board of Directors of

THE DIOCESAN COUNCIL OF THE SOCIETY OF ST. VINCENT DE PAUL, DIOCESE OF PHOENIX

We have audited, in accordance with the 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, the financial statements of **The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix** (the "Organization"), which comprise the statement of financial position as of September 30, 2022 and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 3, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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 financial statements. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

February 3, 2023



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of

THE DIOCESAN COUNCIL OF THE SOCIETY OF ST. VINCENT DE PAUL, DIOCESE OF PHOENIX

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited ***The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix's*** (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2022. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether to do with fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

February 3, 2023

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2022

Section I – Summary of Auditors’ Results

Financial Statements

Type of Report the Auditors Issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of Auditors’ Report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?

No

Identification of major federal programs:

Assistance Listing Number

Name of Federal Program or Cluster

21.023

COVID-19 - Emergency Rental Assistance Program

21.027

COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - ARPA

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2022

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings

None noted

Section IV – Status of Prior Years Findings

None